





# French institutions give currency to the euro

By David Buchan in Paris



## Preparing for Emu

Mr Jean-Pierre Gallard has a particular dilemma about the arrival of the euro in 1999. His is the voice of the Paris Bourse.

updates on the stock market prices and performance updates each day on France-Info, the country's main all-news radio station.

"Obviously, I can't give all prices in both euros and francs. I think at the start in 1999 I'll just give percentage changes in the prices, without saying what the prices are."

"My listeners who own shares will know what their value is in euros or francs. But when I do any detailed commentary, I'll probably have to quote two parties like the newspapers."

La Tribune, the business daily, has started quoting the Bourse's monthly cash market prices in francs - which will be exchanged one-for-one for euros in 1999 - as well as in francs. This is well in advance of autumn 1998 when Mr Jean-Francois Theodore, Bourse president,

expects most newspapers to switch to dual quotation.

Many French shareholders already seem prepared for the change - an opinion poll this year found 45 per cent backing for the Bourse's decision to join the money, bond and foreign exchange markets in Paris trading in euros from January 4, 1999.

While the French as a nation may still be divided about merits and consequences of monetary union, the country's authorities and markets have shown a single-minded determination in their preparations.

Mr Jean Arthuis, finance minister, chairs the 80-strong "national committee for the euro", bringing together MPs, employers, unions and consumers. In each of France's 96 departments, there are similar bodies, chaired by local representatives of central government (*prefets*) and of the finance ministry (*trésoriers généraux*).

The Bank of France started even earlier. At the start of 1995, it created a euro working group with the Paris market authorities, bankers and credit institutions.

This spawned a pilot committee, chaired by Mr Jean-Pierre Patat, head of the

Bank of France's international department and Mr Pierre Simon of Compagnie Bancaire and president of the French Association of Credit Institutions.

Under this are four sub-groups studying legal implications of the switch from Euro to euro, changes in central bank relations with commercial banks, and the consequences for money, forex and stock markets.

Mr Patat expects creation of a unified monetary policy to have a relatively minor technical impact on French banks. They now must deposit with the Bank of France the equivalent of one per cent of their outstanding credit. This ratio may be raised, because the planned European System of Central Banks is expected to make more use of reserve requirements than many national central banks at present.

Another French concern is over refinancing. French banks use a lot of private paper - essentially bank credit to French companies with an established credit rating - as collateral for obtaining money with the Bank of France. After 1999 the banks will want to draw on paper circulating elsewhere in the euro-zone to back their loans from the

## Emu: who's going to make it

J.P. Morgan Calculator 22/12/96

	Yesterday	1 week ago	4 weeks ago
Germany	100%	100%	100%
France	100%	100%	100%
Italy	100%	100%	100%
Spain	100%	100%	100%
Portugal	100%	100%	100%
Greece	100%	100%	100%
UK	100%	100%	100%
Other	100%	100%	100%

The Emu calculator provides a weekly snapshot of the probabilities which the member states place on selected scenarios being widely and able to join Germany in forming a single European currency in 1999. Currency strength of the member states is measured on the probability of the interest rate being applied in which interest rate is applied to the interest rate on the Emu market which allows comparable probabilities to be calculated. Finland, Ireland and Portugal will be added to the Emu calculator in the coming weeks.

Over the past week scores of the "reality check" scenario has increased for those countries which gained most from the agreement, Spain and Italy, and declined for those which lost most, Greece and Portugal.

Bank of France, which will probably want this foreign commercial paper to be guaranteed by other central banks.

The Bank of France insists credit creation in the planned Target system of payment settlement within the euro-zone should be confined to banks within the euro-zone, citing monetary policy arguments. These do not really worry the Paris

banks and financial markets, but they are privately delighted this may restrict competition from London.

"Any technical problem like this facing British banks will suit us," says one member of the Matif futures and derivatives market, which hopes to strengthen its position in 1998 against Liffe in London. In the new competitive game opened by the arrival of the euro, "every detail will count", he adds.

Some of the motives behind the French capital markets' planned Big Bang switch to the euro in 1999 are technical. One is to avoid distortions, favouring one market over another, for instance, bonds over shares. Another is to avoid credit institutions having to make all sorts of internal conversions, according to different types of assets or liabilities. But the main aim is to turn past investments in technology into competitive gains.

Paris has been trading bonds and shares electronically for a decade without any exchange of paper. A body called Sicovam acts as depository for shares and bonds and keeps track of them electronically in a system which links companies that issue shares and bonds, and banks and stockbrokers

who buy and sell them. Last year it cleared and settled trades worth over FF100,000bn (\$19,000bn).

Under the growing pressure of business and the desire from central banks to have immediate guarantees for loans, Sicovam's Relit system - which settles accounts daily - is to be replaced next summer by Relit à Grande Vitasse, which will provide real-time, irrevocable and unconditional settlement throughout the business day.

Moving to the euro will require changes to computer software. But an instantaneous switch is technically possible in Paris's "de-materialised", all-electronic system, while it is almost impossible in other European markets, where paper still plays a part and where there would always be bond and share certificates to be ripped up and re-issued.

Paris hopes to reap a premium for being the first big marketplace to adopt the euro. The Bourse's Mr Theodore reckons non-European investors will want to put sizeable amounts of money in the euro-zone almost at the moment of its creation.

Mr Gérard Pfauwadel, president of the Matif, also believes in the importance of

timing. He cites the example of London, which was quick to invent a number of D-Mark denominated bonds and products and to create business which Frankfurt has still failed to win back.

France's banks and stockbrokers still plan to issue bank and trading statements in francs for their clients, who until 2002 will still have francs jingling in their pockets and will use francs in shops and in dealings with tax and social security authorities.

The Leclerc retail chain has already started to prepare its customers for the future; it priced all goods in its supermarkets in euros as well as francs for two weeks this autumn.

The tax authorities have said they are prepared to take tax payments in euros before 2002 - when the euro replaces its member national currencies - and even perhaps tax declarations. "Accepting declarations in euros would mean accepting accounts in euros," says a finance ministry official. "Big companies want to be able to choose to make declarations in euros or francs, but small companies are afraid of being forced into euro-accounting before they are ready."

## Polish telecom monopoly set to stay until sell-off starts

By Christopher Bobinski in Warsaw

The Polish government is set on ensuring that Telekomunikacja Polska, the national telecom operator, keeps its lucrative monopoly on intercity and international calls until after a start is made on privatising the company in 1998, Mr Andrzej Zielinski, telecoms minister, said yesterday.

"Privatisation first, then liberalisation," Mr Zielinski declared.

He said his ministry's strategy for the sale of TP - which made net profits of \$70m (zlotys \$300m) last year - would be discussed by the government next month.

The statement came as Poland's two new fast growing GSM system mobile phone operators are becoming increasingly frustrated at their failure to strike a deal with TP on charges for calls between their subscribers and TP's system.

The operators, Era GSM and GSM Plus, have garnered over 60,000 subscribers since coming on line two months ago.

The GSM operators - whose shareholders include Deutsche Telekom, USWest and Air Touch of California - currently have to route calls through TP's network. Both operators have appealed to Mr Zielinski to broker an agreement with TP on the charges.

The dispute between the independent operators and TP also threatens to cast a cloud over next year's planned tender for a new DCS 1800 mobile operators' licence - a high frequency system suited to densely populated urban areas. The fact that the successful bidder will have to negotiate an interconnect agreement with TP could narrow the field of applicants and lower the price of the licence.

However, Mr Zielinski insists the intercity monopoly will be maintained until after 1999, while TP will hold

the sole right to connect international calls until after 2003.

In the meantime, his ministry appears to favour the sale of a 15 per cent to 20 per cent stake in TP through a public offer mainly on stock exchanges abroad as well as through the Warsaw bourse. This could be followed by an offer to a strategic investor, Mr Zielinski says.

Other options thrown up by pre-privatisation studies are the sale of a big stake in TP to a foreign strategic investor or linking a public offer with a firm commitment to bring in a strategic investor.

The management at TP apparently favours solutions which would leave as large a stake as possible in Polish hands but Mr Zielinski's ministry is arguing for the lion's share of the offer to be placed abroad to maximise revenues from the sale.

Poland has 6.6m landlines - 17 for every 100 people. This is expected to grow to 30 per 100 by 2000, by which time the government estimates there will be between 1.5m and 2m mobile telephone users.

The Polish treasury ministry reaffirmed yesterday that preparations for the privatisation of copper combine KGHM Polska Miedz were on schedule and its partial sell-off would take place in June, 1997. Reuter reports from Warsaw.

"The date of the sale has not changed. It is still June," the ministry told a news briefing. "The KGHM sale is our number one project, which will decide Poland's credibility and help meet budget revenue targets next year," he said.

He added that the sale of KGHM, Europe's largest copper producer, could generate half of the revenue from privatisation next year, set at nearly \$2.5bn (zlotys \$1.2bn). KGHM had a net profit of 481.9m zlotys last year against 261.1m zlotys in 1994.

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NEWS: INTERNATIONAL

INTERNATIONAL NEWS DIGEST

US consumer spending rises

US consumer spending rose strongly last month, continuing the rebound from a period of sluggish consumer demand in the summer...

Hutu rebels call ceasefire

Burundi's main Hutu rebel group yesterday announced a unilateral ceasefire but said it would hit back if the army made any moves.

Ecuador tax reform hitch

Ecuador's president Abdala Bucaram has withdrawn a tax reform package from Congress in the face of a threatened opposition veto...

Israel-Turkey customs pact

Israel and Turkey yesterday signed a customs co-operation agreement laying the groundwork for a free trade zone...

Saudi ammonia plant agreed

Saudi Basic Industries (Sabic), Saudi Arabia's state-owned petrochemical concern, yesterday signed a letter of intent for Tecmont of Italy to build ammonia and urea plants in the kingdom.



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Progress made on Hebron deal

By Avi Machlis in Jerusalem

Israel and the Palestinian Authority yesterday made significant progress towards an agreement on Israeli redeployment from the West Bank town of Hebron.



Israeli soldiers run from stones in Hebron yesterday.

Mr Benjamin Netanyahu, Israel's prime minister, met Mr Mahmoud Abbas (Ahu Mazen), a senior official of the Palestine Liberation Organisation, in an attempt to iron out unresolved issues.

Mr Moshe Fogel, an Israeli government spokesman said: "At this point it is clear to everyone that we are at the final stages of an agreement."

Since the talks began over three months ago, Israel and Palestinian negotiating teams appeared close to agreement on numerous occasions.

the deadlock that has plagued the negotiations over the Israeli redeployment.

Mr Ross, who arrived at the weekend to push forward the stalled talks, said an agreement was "more feasible now".

Other Israeli demands include wider buffer zones between the Palestinian areas and Israeli settlements

compounds in Hebron, and limiting Palestinian police in certain sectors from carrying automatic weapons.

Palestinians have not accepted these demands, saying the Israelis were trying to re-open interim accords signed between the PLO and the Israeli's previous Labour-led government.

Tehran denies Saudi bombing

By Rana Khalaf, Middle East Correspondent

Mr Hashemi Rafsanjani, Iran's president, yesterday denied charges of Iranian involvement in last June's bombing of a US complex in Dhahran which killed 18 US servicemen.

His remarks to the Saudi daily Ashraq al-Awsat came in response to reports leaked to the US press pointing the finger at Iran.

The Saudi investigation into the blast has reached its final stage. But confounding assumptions that hardline Saudi Sunni Islamists would be found responsible...

In the interview, Mr Rafsanjani said Tehran had looked for the Saudis to be in Iran but failed to find them...

Given the lack of due process in Saudi Arabia and the sometimes dubious means of obtaining confessions...

If Saudi Shias are blamed for the bombing, it will suggest Saudi Arabia now faces dissent on two fronts.

The Saudi government was forced to admit earlier this year that a hardline Sunni faction decided to resort to violence by attacking the US-staffed Saudi National Guards headquarters in Riyadh in November 1995.

The execution exacerbated resentment among Sunni hardliners in the kingdom, and some are believed to have vowed revenge.

But while the Sunnis appear willing to take blame for the Dhahran attack...

Under the system, television stations will have to pay one-time non-refundable fees of up to \$114,286 in addition to \$11,429 a year.

In large metropolitan areas such as Chicago in the US, television stations pay \$32,000; in Russia, stations pay as little as \$750 for five years.

The Kazakh bidding documents state that stations can lose their frequency at any time if a better bid is submitted...

Ms Nazarbayeva now runs the state television company, the only other national broadcaster.

Reluctance to loosen monetary reins despite easing of inflation

Israeli bank trims key rate

By Avi Machlis

The Bank of Israel said yesterday it would lower the discount rate by 0.5 of a percentage point to 14.7 per cent as of January.

But the central bank said it would not loosen the monetary brakes any further despite declining inflation.

The business community said that declining inflation warranted a sharper rate cut. Analysts, however, said incremental reduction of the

interest rate was preferable.

The discount rate is the key lending rate which the Bank of Israel charges commercial banks.

It aims to reduce Israel's budget deficit to 2.8 per cent of gross domestic product in 1997.

to reach between 4 and 4.5 per cent of GDP in 1996.

Earlier this week, Mr Benjamin Netanyahu, the prime minister, faced serious objections to his plan to trim over Shk6bn (\$1.8bn) from 1997 expenditure.

Stiff opposition from some of his coalition partners, who feared the cuts would hurt disadvantaged sectors, forced him to abandon some planned welfare spending cuts...

The budget was presented in its new framework to the Knesset yesterday and must be approved by the end of the year.

Today's National Assembly meeting will approve the 1997 budget and economic plan and pass Cuban legislation to counter the US Helms-Burton law...

Cuba's Catholic bishops have not commented on the curious timing of the assembly.

Cubans keep wraps on Christmas

Celebrating Christmas in post-cold war Cuba has all the feel of engaging in a semi-clandestine activity.

government and Cuba's Catholic Church, the largest organised religious congregation.

Today's National Assembly meeting will approve the 1997 budget and economic plan and pass Cuban legislation to counter the US Helms-Burton law...

Cuba's Catholic bishops have not commented on the curious timing of the assembly.

Catholic Church leaders were branded as "counter-revolutionaries".

But while the government does not prohibit the private celebration of Christmas, it certainly does not encourage it either.

Those Cubans who do celebrate Christmas will do so quietly, in the privacy of their homes.

Although Cuban Christians can celebrate in private, Christmas is not recognised as a national holiday by Cuba's communist rulers.

There is no sign that Christmas is about to be formally reinstated this year.

Cuban officials vehemently denied suggestions that the timing of the

assembly was deliberately intended to underscore Cuba's constitutional identity as a one-party, lay, socialist state.

Kazakh television threatened

By Sander Theones in Almaty

Kazakhstan is set to lose most of its independent radio and television broadcasting stations when some of the highest licence fees in the world take effect next year.

An association of independent broadcasters has appealed against the conditions on a series of open tenders for their frequencies to be held early next year.

Under the system, television stations will have to pay one-time non-refundable fees of up to \$114,286 in addition to \$11,429 a year.

The Kazakh bidding documents state that stations can lose their frequency at any time if a better bid is submitted...

Ms Nazarbayeva now runs the state television company, the only other national broadcaster.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are given unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

Table with columns for Country, Year, Retail sales, Industrial production, Unemployment rate, and Composite leading indicator. Includes data for US, Japan, Germany, France, Italy, and UK from 1985 to 1995.

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEA. Retail sales volume data from national government sources except Japan and Italy (value series defined by OECD using CPI). Refers to retail sales except France and Italy (major outlets only) and Japan (department stores only).

Suharto the poor shame ric

Chun and sentence ap

Australian land rights

## Suharto asks the poor to shame rich

By Manuela Saragosa and agencies in Jakarta

Indonesia's poor were yesterday urged by their president to heap shame on the rich in an effort to make them more generous.

Those businesses and individuals who did not obey his decree to donate 2 per cent of their profits to charity should be publicly identified, he said. "Just mark their houses... with flags, or whatever. That would make them ashamed," the president said.

Mr Suharto decreed earlier this month that companies and individuals with more than Rp100m (\$42,000) in annual net income "must" hand over 2 per cent to a foundation he heads. A similar decree last year said only that they "can help" the poor.

The president said he had been disappointed by the initial response to the programme with only half the 11,000 individuals and businesses called on to donate in fact handing over money.

"There's no need to lash out or be upset. Just mark their houses," Mr Suharto was quoted as saying by the English-language daily The Jakarta Post.

Mr Suharto said businesses and individuals who failed to give their 2 per cent to the fund would be "morally chastised" because helping the poor is required by Indonesia's national ideology.

Although Mr Suharto said he did not want violence, his comment about marking the homes of non-contributors recalled the mid-1960s, when soldiers and rightwing mobs massacred thousands of left-wingers whose houses were marked by flags or painted symbols.

The wide income gap between rich and poor in Indonesia has become an increasingly contentious political issue and is believed to have been one of the factors which sparked anti-government

rioting earlier this year.

The former general's government has vowed to eradicate poverty within 25 years in Indonesia, which was one of the world's poorest countries when he took power in 1966. Mr Suharto is credited with reducing the number of Indonesians living in absolute poverty from 60 per cent of the population in 1970 to less than 15 per cent of its 190m people today.

The foundation, the Autonomous Prosperity Fund, was set up by Mr Suharto earlier this year. Members on the foundation's board include the president's second son, Mr Bambang Trihatmodjo, and Mr Anthony Salim, part of the Salim family, which is one of Indonesia's wealthiest families.

Some Indonesians have expressed concern about how the funds raised will be managed. In addition, for companies it remains unclear whether the new tax is to be treated as a donation, an appropriation of funds or an effective increase in the tax rate only months after the corporate tax rate was cut to 30 per cent from 35 per cent. Foreign companies and individuals resident in Indonesia are also required to donate.

"This is an additional tax for rich people," said analyst Christiano Wibisono, director of the Indonesian Business Data Centre, adding that it was "a political charity".

"I support the decree," said B.R.A. Moeryati Soedibyo, an executive at an Indonesian cosmetics company, "but I'm a little afraid that it will not be useful if the receivers do not have specific plans in mind and throw the money around for nothing."

President Suharto has said management of the foundation's funds will be transparent and accountable to the public but under Indonesian law audits for this kind of foundation are not required.

## Manila markets hit by Ramos illness

By Justin Marozzi in Manila

Philippine share prices fell more than 1 per cent yesterday after the government convened a special cabinet meeting to discuss the health of President Fidel Ramos. The president underwent surgery on Sunday to remove an arterial blockage.

In a nervous trading session, stocks initially shed more than 2 per cent before recovering to close down 1.25 per cent after government officials held a press conference reassuring the public that the president's operation was successful.

The 68-year-old president is a workaholic with a punishing official routine of up to 18 hours a day. He was first admitted to hospital on December 14 for what doctors said "appeared to be a viral infection". Tests revealed cholesterol deposits and a "significant" block in the right carotid artery. In a 75-minute operation yesterday the blockage was removed.

"The president has fully recovered from the effects of anaesthesia," Dr Raul Fores, the hospital's medical director, said last night. "He is fully awake, conscious and all the vital signs are within normal limits."

Vice-president Joseph Estrada appealed for "unity and calmness among our people". Mr Ruben Torres, executive secretary, said there was "no issue of succession whatsoever. As long as the president is formally conscious and able to work normally, there is no need to transfer power."

Details disclosed in the press conference apparently contradicted an earlier announcement that President Ramos was undergoing tests "to determine whether he needs heart surgery".

"I'm not quaking in my shoes but if he isn't out by Christmas or the New Year we could have a real problem," said one foreign banker.

Mr Alexander Pomento, director of research at ING Barings, said the market's reaction was "short-term" and "human nature".

The president's hospitalisation may have most effect on debate about constitutional change. "This will be a blow for those who want to alter the constitution to allow Ramos a second term because for the first time everyone has been given a reminder of his mortality," said a western diplomat.

See World Stock Markets, Page 30

Carmencita Reodica, Philippine health secretary, talks to reporters about President Ramos's health.

## Tourism respite for Burma regime

Four French tourists arrive at Sule Pagoda in downtown Rangoon only to find the steel gates leading up to the famed monument locked shut. They circle the golden spire searching for an explanation.

Half-way around they find it.

Six military transport trucks, laden with armed soldiers, hot and bored in the blistering midday sun, stand waiting to disperse student protesters, for whom the pagoda is a site of impromptu demonstrations.

The students, finding it difficult to organise as their universities have been closed, don't show up and the tourists are unfazed by the soldiers.

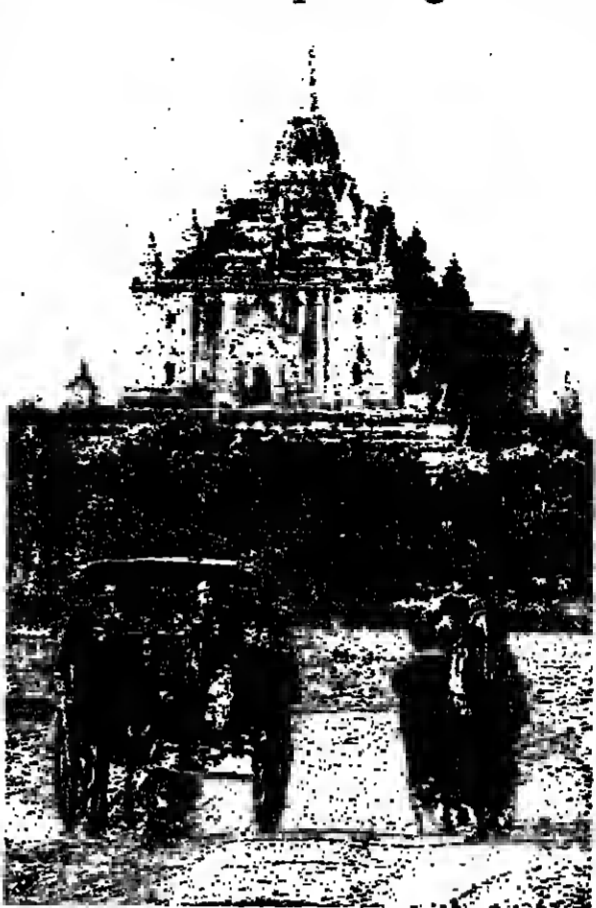
"I didn't see them shoot anybody and they aren't going to shoot me," says Dominique from Lyons, referring to the troops. "They don't really spoil the view either."

The message is clear. Burma's military junta has been able to quell student protests without casualties to either demonstrators or the regime's much-heralded "Visit Myanmar Year 1996".

Mainly because of a bloated defence budget and perks for army officers, the general's coffers are nearly empty of foreign currency and an all-out push to attract foreign visitors is providing them with some breathing space. Tourism revenue has increased 10-fold over the past four years and at more than \$200m a year is the country's second largest legal source of foreign exchange.

Spurred by travellers, mostly from Japan and France, the number of arrivals has increased by 50 per cent each year for the past

Ted Bardacke reports on the military's drive to attract the spending of foreign visitors



A foreign tourist takes a horse cart ride near Pagan, a site north of Rangoon famed for its pagodas and temples.

four. The government is on track to reach its goal of 250,000 visitors during Visit Myanmar Year, which began in November.

"It's clearly the best year the country has ever had," says Mr Werner Senft, general manager of Diethelm Travel in Rangoon, who says recent unrest has not yet

caused many tourists to cancel.

The success is relative. The goal should be reached only because the original target of 500,000 tourists was halved early in the year. And most of the publicity about Visit Myanmar Year has been inside the country rather than outside, leading

to a rash of overbuilding, which has destroyed some of the colonial splendour of downtown areas and forced a round of price cutting that has lowered the overall amount of revenue per tourist.

"If the demonstrations grew the cancellations would become a problem," says Col Khin Maung Latt, formerly a pilot in Burma's air force and now director general of the ministry of hotels and tourism. "But so far we've been lucky."

Others haven't been. The United Nations, among others, has accused the regime of systematically employing forced labour and relocating entire villages in preparation for Visit Myanmar Year. The documented cases run from the horrific - the entire village of Pagan was moved and thousands of prisoners forced to clean the Mandalay moat - to the dictatorial pettiness of poor villagers being ordered to spend their last bit of cash to put a fresh coat of paint on their homes.

"Everyone in the main tourist areas has a story about being forced to do something. They don't like it but they need the money," says Mr Richard Strauss, an American traveller, concluding a two-week journey through Burma.

"I'd read about the military government but I've been waiting to come here for a long time and wanted to see for myself. If I'd known how bad things were I might have thought twice about coming," he says. The regime says it is sensitive to such criticism and is working to improve its practices.

"We don't use prisoners nowadays very much. And when we do [use prisoners] they like it because they can stay outside, see their relatives and in some cases reduce their sentences," says Col Khin Maung Latt. "For them working is much better than being in jail."

The claim that the presence of tourists is helping change the ways of the regime and providing income to local people is often used by the promoters of Burmese tourism to counter charges that tourism revenues are helping prop up an authoritarian government.

Yet the authorities themselves say foreign exchange, not change, is the main motivation for opening up to tourists and after three decades of isolation they are still wary about outside influences.

Ironically, the ease with which tourist visas are now obtained makes it easier for journalists and human rights groups to visit the country and publicise its wrongdoings.

"This ambivalence of the authorities is felt immediately upon arrival at Rangoon's newly refurbished international airport. Numerous billboards welcoming visitors to "Myanmar: The Golden Land" and extolling the virtues of Visit Myanmar Year are mixed with other gigantic red and white signs announcing the "People's Desire".

"Oppose those relying on external elements, acting as stooges, holding negative views, crush all internal and external destructive elements as the common enemy," reads the regime's message.

## Chun and Roh sentence appeal

South Korea's "trial of the century" headed to the Supreme Court yesterday after prosecutors challenged sentences against Mr Chun Doo Hwan and Mr Roh Tae-woo, both former presidents, as too lenient. Reuter reports from Seoul. The two declined they would not seek to overturn verdicts imposed by an appeals court on charges of mutiny, treason and corruption.

The appeals court last Monday commuted Mr Chun's death sentence to life in jail and slashed Mr Roh's prison term to 17 years from 22½ years.

"We won't appeal. President Roh doesn't want to cause any more worries to the public over this incident," said Mr Roh's lawyer, Mr Han Young-suk. Mr Chun's lawyer, Mr Lee Yang-woo, said: "President Chun doesn't want to disgrace the country with the troubles of history when it faces difficulties at home and abroad. It won't help the country's

interests to continue the trial."

But prosecutors said they would pursue the disgraced former heads of state to the highest appeals court in the country along with 13 others, including former presidential aides, ex-generals and businessmen.

"Even though Chun and Roh decided not to appeal, we have no reason to follow their decision," Mr Kim Sang-hee, senior prosecutor, said.

"We began the trial with clear demands for punishment and have not wavered from start to finish," Mr Kim said. Prosecutors have all along sought death for Mr Chun and life in jail for Mr Roh.

The convictions of Mr Chun and Mr Roh relate to a 1979 coup, an army massacre that crushed democratic resistance in 1980 in the city of Kwangju and illegal slush funds they amassed worth hundreds of millions of dollars.



Carmencita Reodica, Philippine health secretary, talks to reporters about President Ramos's health.

Mining industry upset at lack of clear ruling

## Australian court boosts land rights campaign

By Bethan Hutton in Sydney

A boriginal land right campaigners claimed victory yesterday after the High Court in Canberra ruled that pastoral leases do not necessarily extinguish native title to traditional lands.

The mining industry and farming organisations, which had been hoping for a clear ruling that pastoral leases invariably extinguished native title, said the decision was the worst possible one, leaving the issue open to be debated case by case through the courts.

The decision relates to an appeal by the Wik and Thayorre peoples of the Cape York peninsula in far north Queensland, after their claim under the Native Title Act for 35,000 square kilometres was rejected because of the existence of pastoral

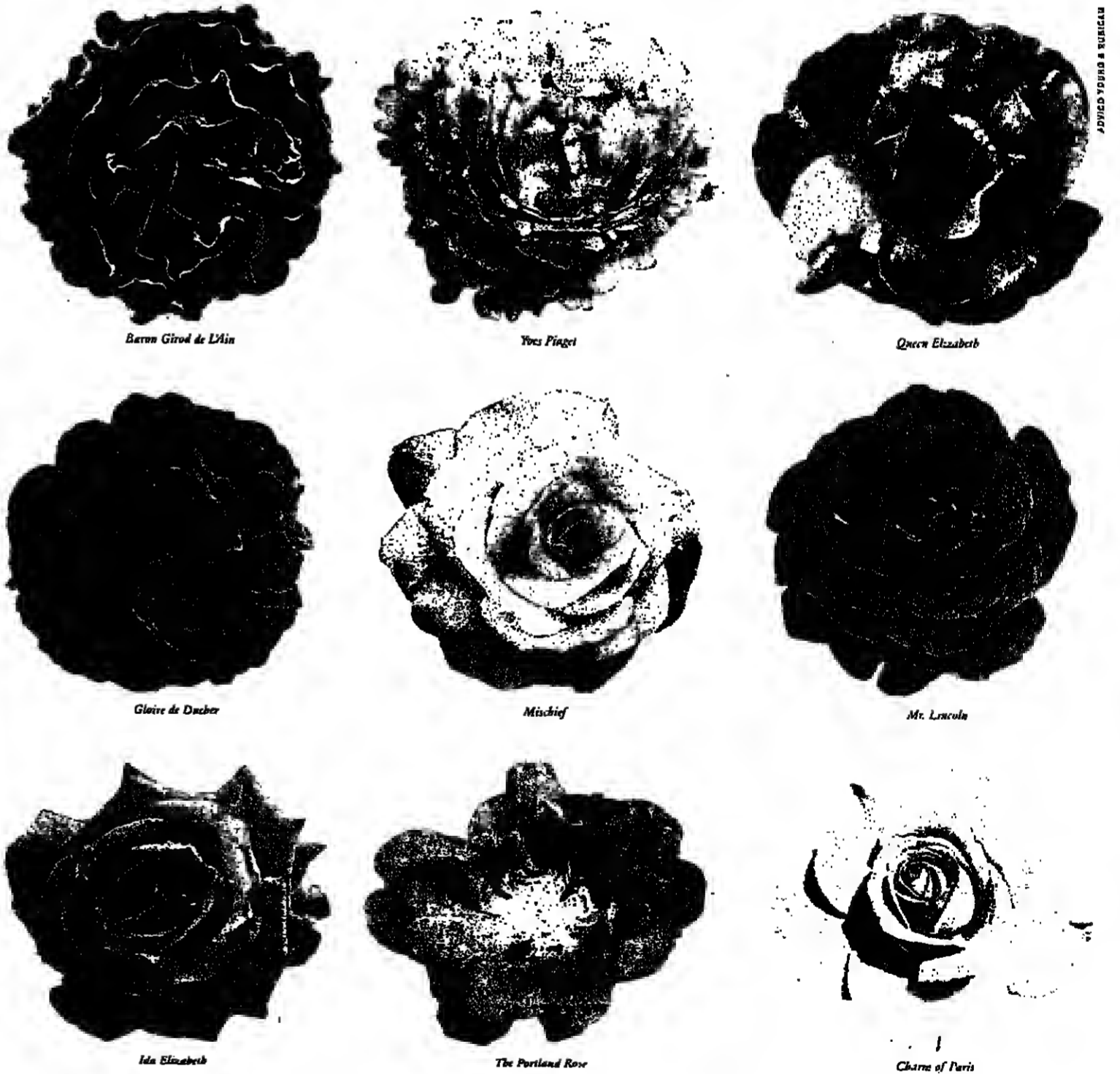
and mining leases on the land.

By a four to three majority, the High Court ruled that pastoral leases and native title could co-exist under some circumstances. However, the court found that where the two were incompatible, pastoral leaseholders' rights would have priority. The impact of the judgment will vary across Australia because leases take many different forms.

The ruling comes three years after the introduction of the Native Title Act, which established procedures for aboriginal groups to lay claim to their traditional lands, or be compensated for them. The act appeared to assume that native title was extinguished by most pastoral leases, but did not write that assumption into law.

Yesterday's ruling will increase backbench and farming lobby pressure on the prime minister, Mr John Howard, to introduce legislation ensuring that pastoral leases extinguish native title. Mr Howard said in May that he would not do so, and the issue was not addressed directly in a package of proposed reforms to the Native Title Act, released in October.

The Wik and Thayorre peoples will now have to take their case back to the federal court, which will decide on their rights in this specific case. Comalco, the mining company, which has bauxite mines in the disputed area, said that the full implications of the judgment were not yet clear, but it confirmed the validity of its bauxite leases. Comalco shares rose on the judgment.



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NEWS: UK

Isle of Man ruling sees first overturning of chief law officer's immunity from judicial review

Danes challenge island attorney-general

By Robert Rice, Legal Correspondent

Three Danish businessmen have won the right to challenge the powers of the Isle of Man attorney-general in an attempt to seize confidential documents belonging to them in order to assist the Danish tax authorities.

The island, between England and Ireland, has its own assembly and law-making powers although Queen Elizabeth II is head of state. The ruling, by the island's High Court last Friday, is the first time the attorney-general's immunity

from judicial review has been successfully challenged.

The three businessmen are seeking a judicial review of a refusal by Mr John Kerruish, the attorney-general, to revoke an order made in July 1994 allowing island police to seize, on behalf of the Danish authorities, confidential files relating to their companies in the Isle of Man.

The Danish tax authorities have been accused of misleading the Isle of Man government in order to gain access to these confidential company files.

Mr Frank Fredrikson, Mr Henrik

Vinten and Mr Jens Lassen claim the Danish police misled the island attorney into signing the search and seizure order on the basis that they were involved in a multi-million pound fraud against their creditors.

According to their lawyer, Mr John Conti, it subsequently transpired that the Danish police were acting on behalf of the Danish tax authorities in an attempt to recover tax by means of a criminal investigation.

The three men, who say they had taken part in a legitimate tax avoidance scheme involving the

liquidation of Danish companies, dispute liability for tax.

They argued that had the attorney-general known the true purpose of the Danish authorities' request, he would not have signed the order. Similar requests were rejected by the Swiss and UK authorities.

The men also want the attorney-general to demand the return of the documents from the Danish authorities and an undertaking that no information obtained as a result of the seizure will be used against them. Mr Kerruish argued that the court had no power of

judicial review over the exercise of his discretion in respect of decisions taken in his official capacity.

Granting the three men the right to seek a limited judicial review, the High Court said there was no absolute bar to it reviewing administrative or executive decisions of the Isle of Man attorney-general.

The attorney-general said immediately he would appeal. Mr Conti said his clients, who are still under investigation in Denmark, but have not yet been charged, would also consider appealing because of the limited nature of the review granted by the court.

UK NEWS DIGEST

Cracks found in US warheads

The UK defence ministry may seek compensation from the Pentagon after finding dangerous cracks in the warheads of some Sidewinder air-to-air missiles. The missiles have been withdrawn from service on the Royal Navy aircraft carrier Invincible. The Sidewinder is used by forces of several countries including the US Air Force.

Routine examination of some of Invincible's warheads showed cracks in a batch of weapons made by Raytheon in the US between 1979 and 1981. These cracks could have led to premature detonation of the missile's warhead under the extreme conditions of launch, potentially threatening the safety of pilots. Bernard Gray

AIRLINE TRAFFIC

Two control centres recommended

The Civil Aviation Authority has recommended to the government that the UK have two advanced air traffic control centres so that each can provide cover for the other in case of failure. The recommendation means that a new £200m (£334m) air traffic control centre will be built at Prestwick in Scotland in spite of the CAA's previous reluctance to fund the project through the government's Private Finance Initiative. The initiative aims to encourage the private sector to fund capital projects previously financed by the government. The Prestwick centre will complement a publicly-funded £350m centre at Swanwick, in southern England, which is due to open at the end of next year. Michael Skapinker

INFORMATION TECHNOLOGY

Siemens in local government deal

Coventry City Council in the English Midlands is to transfer its information technology activities to a joint venture with Siemens Business Services. The deal, valued at more than £20m (£33.4), is Siemens' biggest venture in UK local government. Siemens' national public sector clients already include the Home Office Immigration and Nationality Directorate and the Welsh Office. Alan Pitt

AIR AND RAIL TRAVEL

Strike threat in holiday period

Customs officers at London's Gatwick airport are to strike for 24 hours today, their trade unions said yesterday. More than 80 officers oppose the introduction of new working practices and their strike has been timed to coincide with one of the year's busiest periods. Union officials have been negotiating with management over rostering changes at the airport for 11 months. The Customs and Excise Department said the strike might cause disruption but anti-smuggling efforts would not be interrupted. Local Customs managers will take necessary steps to ensure the normal operations of the airport and the free flow of passengers, it said. Train services in Scotland may be disrupted on December 31 by a 24-hour strike threatened by the Rail, Maritime and Transport union, the largest trade union for rail workers. The dispute is about disciplinary procedures against workers who took part in previous industrial action. ScotRail, the operator of Scottish trains, said it intended to run a "robust" service on December 31, but advised passengers to check its services before travelling.

Liffe chooses City instead of Canary Wharf

By Alan Pike, Business Services Correspondent

The Corporation of London, the municipal authority for the City, yesterday scored an important victory in its battle to retain trading activities. It won a commitment from the London International Financial Futures and Options Exchange (Liffe) to stay in the City. The corporation said the move "reinforces the City's position as Europe's premier financial centre".

Liffe's choice of site at Spitalfields, on the north-eastern corner of the City, follows a tense struggle between the corporation and Canary Wharf, in the Docklands district to the east of the City, to house the exchange's new trading floor.

The importance of the corporation attached to winning is demonstrated by an unusual undertaking it has given to reacquire the Spitalfields site should Liffe decide not to proceed with the new building at any time before December 31, 2001. This gives Liffe valuable scope for second thoughts should market con-

ditions, or a change in the balance between floor and screen-based trading, lead it to review its current expansion plans and accommodation requirements.

Mr Philip Willoughby, chairman of the corporation's land committee, said yesterday that he would recommend acceptance of the Liffe deal by the Court of Common Council, the term used for a full meeting of the corporation. "The City needs Liffe and Liffe needs the City," he said.

The location of Liffe's new trading floor is one of the most important decisions of the year in the competition between the City and Canary Wharf. A decision this year by Citibank, the US commercial bank, in favour of Canary Wharf was a blow to the City.

Liffe has agreed to enter into exclusive negotiations with Spitalfields Developments - a consortium of BICC, Costain and SFP, the Swedish financial institution - for the acquisition of the site and its development. Spitalfields is a former fruit and vegetable market. Construction of a building for ABN Amro, the Dutch bank, is in progress.

Sinn Féin chief calls for 'a sense of Christmas' amid Belfast tension

Adams appeals to NI gunmen

By Liam Halligan and Jimmy Burns

Mr Gerry Adams, president of Sinn Féin, yesterday appealed to members of all paramilitary groups in Northern Ireland to show restraint. Sinn Féin is the political wing of the Irish Republican Army.

"I want to see all the armed groups showing restraint, and I want to see right across all sections of our people a sense of Christmas," he said. "Also I want to appeal to politicians right across the political spectrum to fill the vacuum that has been created and which has been left wide open for the last while."

Mr Adams was one of several figures on both sides of the political divide in Northern Ireland who tried yesterday to defuse tension after a weekend in which the region seemed to edge dangerously close to a resumption of all-out violence.

On Friday night a policeman was shot by the IRA in a hospital in Belfast, the Northern Ireland capital, as he guarded a senior anti-nationalist politician. On Sunday, a leading republican activist in the city escaped death when his car was bombed.

Although nobody has admitted responsibility for that attack, it is thought to



Sir Patrick Mayhew, chief minister for Northern Ireland in the British government, meeting soldiers of the Royal Anglian Regiment at their base in Belfast yesterday

be the first tit-for-tat attack by anti-republican "loyalists" since the Combined Loyalist Military Command declared a ceasefire in the wake of the IRA ceasefire in August 1994.

Sir Patrick Mayhew, chief minister for Northern Ireland in the British government, yesterday urged loyalist paramilitaries not to return to "tit-for-tat" violence. "I beg them not to go back to the kind of thing which they were doing in the past," he said.

The Clinton administration is thought to have given

its private blessing to renewed contacts between Sinn Féin and a small group of Irish-American lobbyists who have previously helped broker an IRA ceasefire.

The Ulster Unionist party, the biggest pro-British party in Northern Ireland, yesterday announced a political alliance with Sir James Goldsmith in the European Parliament, but ruled out any prospect of co-operation in the House of Commons.

Mr Jim Nicholson, the sole Ulster Unionist in the European Parliament, is to join Europe of the Nations, a

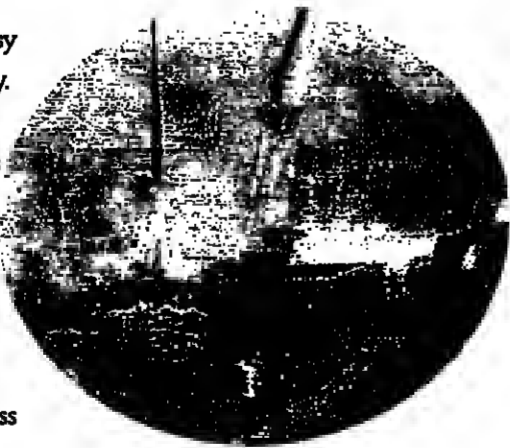
cross-party political grouping of MEPs under the leadership of Sir James, who represents a French district in the parliament.

Sir James, a billionaire businessman, founded the Referendum party last year to campaign for a referendum on Britain's future in the European Union. Senior Ulster Unionists said Mr Nicholson's move would not affect their party's independence in the House of Commons, where the Conservative government depends on the nine MPs to maintain a working majority.

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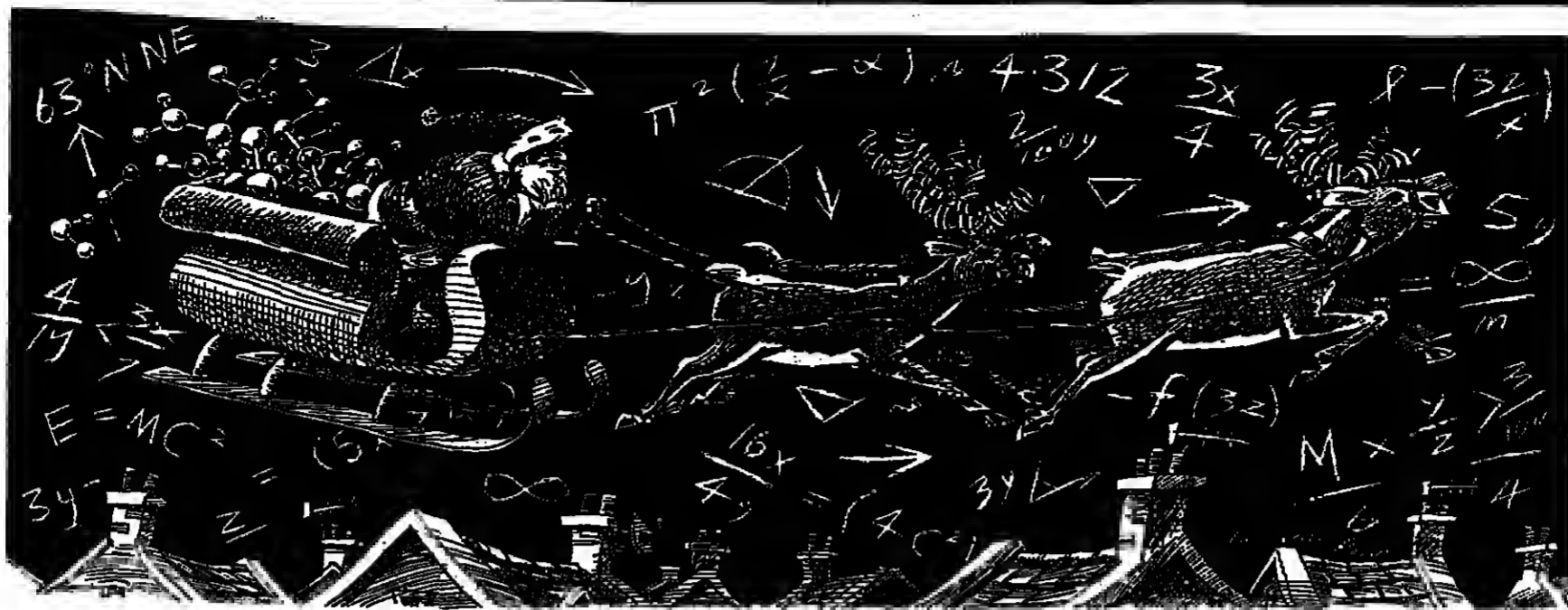
Advertisement for Santa Claus, featuring a large image of a Santa Claus figure and the text 'Santa'.

Advertisement for National & Handmade High Quality Eggs, featuring a large image of a Santa Claus figure and the text 'National & Handmade High Quality Eggs'.

Advertisement for Contracts & Terms, featuring a large image of a Santa Claus figure and the text 'Contracts & Terms'.

Advertisement for Personal, featuring a large image of a Santa Claus figure and the text 'Personal'.

Handwritten text in Arabic script: 'مكتبة القرآن' (Library of the Quran).



Tom Mead explains how Father Christmas gets around the world in one night

# Santa's bells and whistles

**A**t a loss to explain plausibly the mysteries of miraculous Christmas logistics to your questioning kids? Parental omniscience no longer up to explaining Santa's abilities to the sceptical inner physicist gazing up at you from behind the trusting eyes of your child?

For the eggnog and fear not, for I'll explain how Santa manufactures all those presents, and delivers them all over the world, to the right children and places - in one night.

First, how can Santa travel to all the millions of houses, apartments, bays, tents, igloos and yurts in so short a time? The answer is rotational acceleration and time dilation.

Today, Christmas Eve, the conditions are right for a confluence of earth's magnetic fields, the Van Allen radiation belt and earth's centre of rotation to produce a sympathetic harmonic vibration among the three. The result is a rapidly spinning, doughnut-shaped region of energy around the Arctic.

By repeatedly tapping into this source of energy, and by assuming some of its rotational spin for acceleration and a crack-the-whip centrifugal effect, Santa and his sleigh can

approach the speed of light and take advantage of time dilation as predicted by Einstein. By doing this Santa Claus can take all the time he needs, and it seems, to all the rest of us, to be an instant, a mere flicker of time.

So how does he know where each child is, what they want, and whether they have been good or bad? Simple. Each child's

voice is uniquely modulated energy in the form of sound, and this energy travels out in individual, identifiable waveforms which can be received by a strategically placed multipoint, omniphase antennae system.

The antennae system's transceiver transmits a signal which is received and sorted by the network of satellites comprising the Global Positioning System. Thus, each child's wishes are identified, recorded and databased. Their most recent spoken word

reveals a precise geographical point that is uniquely associated with that child until he or she utters another word at another place, when the database is updated.

Sophisticated analogue-to-digital signal-processing technology is used throughout the year to collect data through the grid on a

day-to-day, goodness/badness quality control matrix and run it through a "But be did it"/"I'm sorry, I'll try harder" balance algorithm.

This system also explains how a child can live all year at home, but Santa still knows that they are going to Grandma's for Christmas, and so can deliver the requested items to that location.

"But deliver" may be a less precise word than "build" or "grow". For even with advances in sleigh design, spurred by the latest developments in metal-ceramic-composite

materials, delivery of the sheer square footage and tonnage of presents could not be accomplished with a sleigh built through any known terrestrial technologies.

These are self-organising nanoparticles and nanotechnology called upon to perform the tiny miracles of which they are capable. Actual

sleigh payload is several tons of silicon chip-based micromachines configured as microfactories.

Each microfactory, so tiny it can rest on the head of a pin, is loaded with definition and execution code such that when activated, it can build, molecule by individual molecule collected from ice crystals, cookie crumbs and carbon-based soot particles, the toys and articles encoded for delivery at that GPS-defined geographic point.

But how do the reindeer fly? Genetic predisposition augmented by selective breeding

has been guided and exploited over hundreds of generations to develop a small herd of reindeer that have extremely porous antlers, hooves, and most particularly and importantly, bones.

This structural morphology, a distinguishing characteristic of birds, has recently been augmented by gene splicing and bioengineering. Researchers have used these technologies to produce a reindeer

weight-to-volume proportion which gives this herd a slight positive buoyancy and a disconcerting propensity to drift on wind currents.

It is for this reason that photographs almost always show them somehow tethered or weighted, either harnessed to a sleigh, weighted with harness gear, or with at least a heavy bell slung round their necks.

And that's how Santa uses cutting-edge technology to solve the world's most difficult manufacturing and distribution problem. So when your children ask you how Santa does it, you now have all the answers.

The writer tips his elf hat in acknowledgement of Larry Silverberg and his merry band at North Carolina State University for inspiring this article.

## Viewpoint • Charles Rossotti

# A spread of knowledge

A year ago many business people had not heard of intranets. Today 70 per cent of US-based companies are either using an intranet or plan to build one, according to a recent survey.

Are intranets just another way to spend money on the latest technology fad, or is there a solid case for the phenomenal interest in these corporate versions of the Internet? The answer depends on how the technology is used to improve the sharing of information.

Intranets use client/server and network technology created to connect people worldwide on the Internet. This World Wide Web technology provides easy-to-learn, almost universal access to multimedia information in a company.

Building on networks that many companies have in place, intranets add the familiarity of the Web browser so employees can access documents, presentations, graphics and even video whenever they need it.

But increased access to information is valuable only if it makes people more effective and productive. The key to achieving the most value for the least cost with this new technology is to improve the way "knowledge workers" - salespeople, engineers, budget analysts and consultants - share information when and where it is needed in modern, far-flung organisations.

Knowledge workers rely on information to perform their jobs. To work better, they need to access knowledge in other parts of their organisations, often in the heads or files of people with similar interests and expertise. Previously they might have used telephones, informal networks of people, meetings, shop talk in the cafeteria, fax machines, corporate libraries and e-mail. None of these offers the potential breadth and speed of access that can be achieved using an intranet.

The intranet should be seen as a tool for linking communities of knowledge workers who have shared interests and expertise. Doing this effectively requires as much care in defining the relevant communities of people as in defining the network and databases.

By forming communities of knowledge workers organisations are instilling in their employees a sense of purpose and an obligation to contribute to the knowledge base in order to remain a member in good standing. Supported by an intranet, these communities create a framework for advancing the intellectual capital of an organisation.

Another benefit of knowledge communities is their capacity to help assimilate experienced managers and staff who are new to the company. Placing seasoned newcomers into a knowledge community encourages them to add their reservoir of expertise to the group's collective body of knowledge, hastening their ability to establish connections and develop credibility among their peers.

Keeping employees motivated to contribute to a company's knowledge base is a serious issue. Becoming a member of a knowledge community should be considered a sign of personal growth and an acknowledgment that a person has acquired considerable expertise in a particular discipline. This, in turn, can be considered when evaluating compensation or advancement. Companies with cultures that embrace teamwork will find it easier to create and maintain useful knowledge communities than those which do not.

Ultimately, the key to a successful intranet is the same as for the intelligent use of any technology. Organisations need to consider how intranets will improve specific business processes, but pay equal attention to the human aspects.

Charles O. Rossotti is chairman of American Management Systems, an international consultancy based in Fairfax, Virginia.

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**COMUNE DI ROMA EXTENSION OF DEADLINE FOR PUBLIC ANNOUNCEMENT**

Bioparco S.p.A. - new zoo in Rome

The deadline for the presentation of requests relative to the Public Announcement for partners for Bioparco S.p.A. - new zoo in Rome - has been extended from 15th December 1996 until 31st December 1996.

The applications and relative documentation, sent to Dipartimento alle Politiche Culturali - Piazza Campitelli, 7 - 00186 Roma - Italy Tel +39/6/6782996 - 6783175 Fax +39/6/6793782, must arrive by 2 pm on 31st December 1996.

Rome, 13th December 1996 The Mayor

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## CONTRACTS & TENDERS

**PUBLIC INVITATION TO TENDER**

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For this reason, a Europe-wide invitation to tender is issued for the Supply of Lighting Fixtures.

Bidders are requested to send their documents containing the technical data and the design of the lamps to the above address.

Bidders whose models meet the expectations of the Entwicklungsgesellschaft and of the Waldstadt Municipality will be requested during the second stage of the procedure to submit their bids under a limited invitation to tender.

The EWZ expressly reserves the right to award the contract to several companies or to completely waive the limited invitation to tender in the event no acceptable bidding documents are submitted.

Name, address, phone, telex, fax No. of the tenderee (rewarding authority): Entwicklungsgesellschaft Waldstadt/Wiesendorf/Zehrendorf mbH (EWZ) Am Bahnhofs, 12838 Wiesendorf Phone and fax No.: 033702/46 268

Selected awarding procedure: Limited invitation to tender following a Europe-wide public invitation to tender.

Type of order which is the subject of the award: Delivery contract under VOB (Standard Official Contracting Terms for Services).

Place of execution: Municipality 15338 Waldstadt, Land Brandenburg, Rural District, Teltow-Fläming.

Type and scope of performance, general features of development project: Supply of 500 lamps.

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Deadline for the submission of bidding documents: 31 January 1997

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Offers to be submitted by noon 7th January 1997 for completion 9th January 1997.

For further details contact the Joint Administrators, Rod Weston & Peter Flesher, Grant Thornton, Higham House, Higham Place, Newcastle Upon Tyne NE1 5EE.

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A CHRISTMAS THRILLER



# Collateral Damage

**CHAPTER THREE**  
Near the top of a central Tokyo skyscraper is a floor not numbered on the lift panel. At the end of its single dimly lit corridor is an unmarked door. Behind that door is another world - a restaurant which offers no menu and accepts no credit cards but provides entertainments that no ordinary salaryman will ever enjoy.

**A mystery in five parts by thriller writer Peter Tasker. The story so far: Charlie has discovered that Piers Montagu, Berwick Brothers' star investment manager, whose charred body was found in his country home, had attempted to control the world aluminium market. The clues are starting to point east.**

**Peter Tasker, Japan strategist for Dresdner Kleinwort Benson, is author of Silent Thunder and Buddha Kiss. Collateral Damage continues on Friday and Saturday. If you enter our competition you could play a part in the final chapter.**

according to official sources. This, together with the imminent return to the front line of 'Ninja' Sawaguchi, should propel prices higher, according to analysts.

All this and more Charlie absorbed from newspaper, screen, and ticker-tape. She did some extra research of her own, using the Internet. Mitsukawa, she discovered, was an enormous enterprise, with revenues higher than the GNP of Spain. Founded by a Buddhist priest in the 16th century, it was now the core of the Mitsukawa empire, a zaibatsu group of more than 200 companies. Hardly a day went by without one of them hitting the headlines. Just yesterday, for example, Mitsukawa Heavy Industries had been awarded a huge steelworks contract in Guangdong, to be financed by Mitsukawa Bank.

Searching for keyword combinations, Charlie found some intriguing correspondences. For example, the chairman of the Association of World Metal Users, the organisation responsible for the bullish forecasts of Chinese demand, was the president of a company called Mitsukawa Materials. And a company called Mitsukawa Warehouse operated facilities in Singapore, Long Beach, and Panama that were used by metal traders to store inventories.

Natasha was gazing at the screen over Charlie's shoulder. Charlie swivelled round to face her. "Did Piers ever mention the name of this company?" she asked.

Natasha's large grey-green eyes grew thoughtful. "I don't think - yes, wait a moment. There was a silly thing once. Mitsukawa make laptops, don't they?"

"They make everything." "I remember Piers borrowed one from somewhere. He made this odd joke. He said that if it was Mitsukawa, there was probably a bug inside. He repeated it several times."

It wasn't unusual for Piers Montagu to keep repeating a joke, especially a silly one. But this time, thought Charlie, there might have been a reason. "You said that Piers was behaving perfectly normally before he died. You didn't notice that he seemed on edge when you went out together?"

Natasha shook her head. "Not to speak ill of the dead. He was as tight as a sparrow's arse, that bloke. When I heard how much he was earning, you could have knocked me over with a feather."

Charlie nodded and took a sip from her glass of mulligatawny. "And he didn't seem at all nervous that night, did he? Upset or depressed or anything like that?"

"Well, he got upset once, alright. There's this Chinese bloke working in the take-away. He came in to get some cigs, and your mate Piers almost floored him. Strange that for a bloke who's got Oriental colleagues in his place of work. Still, he was well pissed by that time."

"Oriental colleagues," said Charlie, puzzled. "Did Piers tell you that?"

"He didn't have to - I heard it direct. Just a couple of days before, three blokes came to the village looking for him. Colleagues, they said they was, and they had a message for him."

"Three blokes? What, you mean Japanese?" "Japanese, Chinese, Koreans - same difference, isn't it? Anyway I wonder if he ever got that message."

Charlie gulped down the last mouthful of wine. "I'm pretty sure he did," she said.

First thing on Monday morning Denis Moore called Charlie to a crisis meeting in the boardroom. There were two other people present - the last representative of the founding family and a dome-headed man who Charlie

had not met before. He was introduced as the senior partner of a firm of solicitors. It wasn't one of the large City outfits that the bank usually used, but a smaller West End firm. Probably, Charlie guessed, one used by the Berwick family for its private affairs.

"So tell us, Charlie," said Moore, after ushering her to a seat. "What about these aluminium positions? Can we get out alive or not?"

"Can't be sure without the details," said Charlie. "But Piers' timing seems to have been awful. We're almost certainly underwater."

"Disaster," groaned Moore. "Highly unfortunate," murmured the lordly gardener. He was standing at the window, apparently absorbed in the view of Tower Bridge.

The lawyer nodded sympathetically. "In that case, you'd all better start thinking about damage control right away."

"Meaning what?" said the lordly gardener, turning round to face them.

"Meaning that if the worst comes to the worst, all relevant internal records will be seized by the authorities - memos, tapes of phone-calls, the lot. Anything juicy will probably end up on the front

page of the FT."

"So what do you suggest?" "Only that no compromising materials should be found," said the lawyer, rather archly. "Remember that we are in the fortunate position of having someone to take full responsibility for this whole mess. That person is of course the deceased. Now who was charged with supervising his activities on a day-to-day basis?"

"Me," said Moore boarsely. "The lawyer nodded, his bald head gleaming in the sunlight. "Then I suggest that you personally assemble the relevant information for the attention of the authorities. It will be so much more convenient that way. Now are there any other questions on this issue?"

"I have one," said Charlie, raising a hand. "It's rather theoretical, if that's alright."

"Go on."

"I was wondering what might be the implications for damage control if it were found that the deceased had been murdered?"

Denis Moore winced visibly. The lordly gardener raised an eyebrow.

The dome-headed lawyer pursed his lips. "Complex," he said. "But probably not favourable."

Later in the morning, the lordly gardener appeared at Charlie's desk just as she was closing out a short position on Metallgesellschaft. It was unusual for him to enter

the dealing room at all, but he stood there for minutes, listening abstractedly to the phone conversation.

"Something's come up," he said when Charlie took off her headphones. "A chap I know had a word with another chap. He managed to get hold of the name behind that Liechtenstein trust."

"Really?" said Charlie, her excitement rising. "How did he manage that?"

"This other chap is awfully clever, apparently. Does a bit of computer work for the government, that sort of thing."

"I see," said Charlie, not seeing at all.

"Anyway the name we want is Foo Sheh Finance. I'm told that means Lucky Snake in Cantonese. You don't happen to know anything about it, do you?"

"Not yet," said Charlie. "But I soon will."

The simplest way was to ask the top China-watcher in the City, Gilbert Chang at Kestrel Securities. But Gilbert didn't want to talk. He was busy trying to sell a portion of the Dragon's Head development in Shanghai.

"This is a very profitable deal, Charlie," he said. "We're talking about more high-quality office floorspace than exists in the whole of Holland."

"I've got an even more profitable deal for you," said Charlie in her most dulcet of tones. "There's some private research I need. It won't take you more than a day, and it'll get you 100 per cent of our Asian business for the next three months. All personally credited to you."

That was the kind of language that Gilbert understood. His prospective bonus had suddenly fattened.

Late in the afternoon a slim envelope arrived by courier from Kestrel Securities. It contained just three pages of typescript, setting out the answers to Charlie's questions.

Lucky Snake, she learned, was a property and entertainment group owned by the Wu family. Until the mid 1980s, it had been small potatoes, owning a few floating casinos that operated in Macao waters.

However, over the past five years it had expanded rapidly, investing in large infrastructure projects in the People's Republic and buying stakes in many of the old "Hong" companies.

Alexander Wu was developing political ambitions, and was a member of the Beijing-appointed Hong Kong affairs committee which had been such a thorn in Chris Patten's side.

At the bottom of the last page, Gilbert had written "Call if you need more."

Charlie needed more. She needed to know how the Wu family had risen so fast. And she fancied that Gilbert knew the answer, but wasn't prepared to put it on paper.

"You're right, there," he chuckled down the phone. "After all, I've got my relatives in Hong Kong to think about."

"It's that serious?" "Who knows? Anyway, there's no harm in being careful. The Wu family are closely related to a certain faction in the People's Red Army. This is big stuff, Charlie. These guys control pirate CD and video plants all over southern China.

They have the best equipment money can buy, as good as EMI or Sony. They can even forge the encryption on Microsoft stuff."

Charlie made the decision quickly, as usual. "Gilbert, you've done a great job. To prove what a star you are, I've got another big favour to ask. I'd like to visit Lucky Snake as soon as possible."

"Visit them! What on earth for?"

"A couple of Wu's companies are listed, aren't they? Let's just say I'm considering a very substantial investment into his operations."

Gilbert gave a little laugh of astonishment. "You want to put money into the Lucky Snake Group?"

"That's right. I promised you three months of our Asian business, didn't I? Arrange this for me, and it'll be six months."

**'Wouldn't you be on edge if you were having a smouldering liaison with somebody at work?'**

which expects a new wave of Chinese demand to keep prices buoyant through 1997. Traders were also heartened by reports that Ichiro Sawaguchi, known as the 'ninja', will soon be resuming his responsibilities from Mitsukawa's Tokyo office."

Bloomberg - "Base metal inventories showed another sharp drop last month,

## The Competition

The five funniest, original entries will receive an FT hamper hand-picked by its apocalyptic bottles of red and white wine chosen by Jancis Robinson, the FT's wine writer, the fiction and non-fiction books of the year, as judged by Anthea McAfee, literary editor, a classical and a popular CD selected by our music writers; and a couple of good taste goodies chosen by Lucia van der Post, How to Spend it editor.

**How to enter**  
Send your entries by electronic mail to [collateral.damage@ft.com](mailto:collateral.damage@ft.com) or by fax to 44-171-873 4433 or by phone on 44-171-873 4556. You can only enter between 11am (GMT) and 11pm on Friday December 27.

**Terms and Conditions**  
This competition is open to FT readers aged 16 years and over. Entries must be submitted to one of the above addresses by telephone, fax or e-mail, and must be received by 11pm (GMT) on Friday December 27 1996. The winning entries, as selected by an independent panel of judges will be published in the FT on Monday December 30 1996. The decision of the judges is final and no correspondence will be entered into. All prizes will be dispatched to winners within 28 days. There is no cash alternative. Copyright in all entries will be the property of the Financial Times.

**The Last Word**  
Collateral Damage will end with an epigram written by Peter Tasker. Put your wit against that of the author by bettering his final line, which will be an old style saying with a bit of a twist. For example:  
"When the year grows cold, we know the pine and the cypress are the last to fade"  
Continued  
"It never troubles the wolf how many the sheep be"  
Virgil  
"It is the wisdom of rats, that they will be sure to leave a house somewhat before it falls"  
Francis Bacon  
"Tax is not a burden to the wise man - he has a clever accountant"  
Piers Montagu

What we want is an old-style epigram with a modern commercial flavour, along the lines of the Montagu example above. It needs to have wit and to reflect the spirit of Collateral Damage. We are asking you to submit your entries ahead of the final chapter, and will award extra points to the president.

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ARTS

The comic Shorty with a taste for tall stories

Danny DeVito talks to Nigel Andrews

Danny DeVito, sitting in the Dorchester Hotel, is in ripping form. Each question I ask prompts what seems a free audio-book read aloud from his mind.

they fall," he postises, though I am not sure if he is talking about the characters, the audience or (I trust not) his own three off-spring.

I could do that." So he enrolled for two years of drama school in New York, then took a plane to Hollywood to try out for the lead role in *In Cold Blood*.

A question about his childhood in Asbury Park, New Jersey. "Oh - lemme tell you - there's a history there - it use-da be a little gem you stopped halfway from New York to Atlantic City down this rocky coast..."

I stood on one guy's desk and said, 'This is violent? You're doing Cliffhanger! I went ballistic.'

With only an hour at my disposal I set a mental target: make him start talking about cinema before 20 minutes are up.

That DeVito himself became famous is, of course, one of the great accidents of nature. Born to second-generation Italian immigrants - one grandfather was a tailor, the other a shoemaker - he grew up in New Jersey.

He proves quick and willing to talk about *Matilda*, the new film he has directed, produced, narrated and starred in.

Anyone can dream, though. DeVito ogled the stars on the movie screen whenever his older sisters made a feint at babysitting him by plonking him on an aisle seat, with a bag of popcorn, while they "hung out with friends."

Another jawbreaking reply. "Great empowerment going on with the kiddoes" DeVito orates, describing the impact on his own children of Dahl's story of a little girl defying overbearing teachers and parents.

"My friends were John Wayne, Errol Flynn and the Marx Brothers." He wanted to do what those people did up on screen. "It looked simple. It looked like walking around and talking. I felt



Danny DeVito: when he tired of comic siezeballs he turned to directing, and then producing

DeVito encourages these deliriums of metaphor. He encourages almost any delirium. "Those characters were so colourful, those villains!" he exclaims. "I love these Richard III-type bad guys. You look at Olivier in that movie and when he does those asides to the camera you go (slurpy tongue-licking noise). It's the cat's pajamas! Who you gonna play - that guy or the guy on the horse who's going after the damsel?"

When he tired of comic-book siezeballs DeVito turned out subtler and more developed siezeballs, like those in *Ten Men and a Cradle*. He even played a nice person once or twice, but no one remembers (*Jock The Bear, Renaissance Man*).

lunches, power elevenses. And he had yelling matches with executives who said it was too violent. "I stood on one guy's desk and said, 'This is violent? You're producing Cliffhanger!' I went ballistic."

More interestingly, he moved beyond acting altogether. He started with directing: *Throw Momma From The Train*, the juicy funny *The War Of The Roses*, the ambitious but ponderous *Hoffa*.

setter with tangy originals like *Reality Bites*, *Get Shorty* and, most immortally, *Pulp Fiction*. "I wanted to embrace film-makers who have a passion for their work and are trying to get that work on screen in the way they want. Hollywood is enslaved to previews. They'll show a film and if audiences don't like it they'll change it. It's horrifying. We all have financial responsibility, but it can get out of hand."

Finally he shook hands with Miramax, a deal that later produced the incomparable joke of a blood-spattered gangster opera being released in Britain as a Disney movie. (Disney had taken Miramax under its wing.)

Then as a producer he founded his own company Jersey Films, which became a Hollywood pace-

setter with tangy originals like *Reality Bites*, *Get Shorty* and, most immortally, *Pulp Fiction*. "I wanted to embrace film-makers who have a passion for their work and are trying to get that work on screen in the way they want. Hollywood is enslaved to previews. They'll show a film and if audiences don't like it they'll change it. It's horrifying. We all have financial responsibility, but it can get out of hand."

For the first time the human fireball goes all coy and tongue-tied. "Different methods... sometimes you get a mask... find things in your past... It's hard to talk about that scene because acting's so

personal. You're almost afraid to say what process goes on, in case you contaminate it. It's a very private thing, acting."

The conversation falters as if I have asked about a dying relative. Then the mood is rescued by a Columbia publicist peering round the door to mime happily "Two minutes, please!"

I ask one tiny last question about my favourite performance of his, as the go-getting aluminium salesman in *Ten Men*. With DeVito, though, I still haven't learned, there is no tiny question. All bashfulness forgotten, he charges off again.

The story is long and funny - all about the pre-film psyching match he played with co-star Richard Dreyfuss to ensure Dreyfuss was properly riled up for the opening car-crash quarrel - and the steam issuing under the door of the Dorchester suite is that of the Columbia PR folk. Their interview schedule is suffering what is undoubtedly a famous occurrence throughout the world: Danny DeVito has started another story...

Panto/Sarah Hemming

Plenty of swash and buckle

Anyone concerned about the health of the Christmas show might like to compare and contrast two of the *Beauty and the Beast* on offer this year, both of which give a most encouraging prognosis. At the Young Vic, Laurence Boswell's play is world's away from panto - a highly imaginative and original piece of theatre at the Theatre Royal Stratford East, David Cregan's version takes traditional pantomime elements and works them into a charming show.

prince for refusing to become husband number 273, as a ginswiggling, raucous bundle of black and red finery. She looks like *Lulu* after a nasty experience at the hairdressers and behaves with splendid bad manners, threatening to transform the whole audience into beasts with the aid of poisoned sweets, ice cream and buckets of goo. Her opponents, meanwhile, are a tweedy fairy and her well-meaning apprentice, Snowdrop.

The Stratford East show does not have the magical simplicity of the Young Vic's in-the-round production, but it still bursts with theatricality. And it manages to be a pantomime without any of the sloppiness that can dog the genre. It is concise and jaunty, it has a whiff of melodrama about it, and holds the audience's attention without resorting to soap stars, sports personalities or even Gladiators.

Davina Perara as Beauty is a sweet and serious heroine, hair in bunches, pretty as a picture in her leg-of-mutton sleeves, while her ruined father (a delightfully befuddled Jim McManus) and selfish, crinolined sisters look like a family straight out of Dickens. There is a quasi-Dame figure, courtesy of Michael Beltenshaw as the bossy housekeeper - a bit of a weak link, since he could do with funnier lines, though he does have a nice cod Victorian ballad about Beauty's heroism, "Though Dead, She Kept Her Word".

Christmas Eve's schedules are strong on music and animation and long on old movies, but even the biggest fans of the medium could hardly argue that this is a great day for television. The four terrestrial channels (BBC1 and 2, ITV and Channel 4) are showing 60 movies between them over the three days of Christmas, plus a number of "TV movies" which means American television dramas.

This season's award for heroism must surely go to Joseph Noble as the Prince-cum-Beast, who not only pulls off the difficult feat of appearing scary when kitted out to look like the teddy



Whiff of melodrama: Joseph Noble as King Tom in Stratford East's 'Beauty and the Beast'

who went through the wash by mistake, but also negotiates the even trickier territory of having to appear handsome in a set of silk flares and platform shoes that Guy Glitter would die for. He even manages to croon his way through a gooey love song and retain some dignity; no mean

achievement given the merciless jeers of his ten-year-old critics. The production could certainly afford to be funnier, but on most other fronts it scores well.

At the Theatre Royal, London E15 to January 25 (0181 534 0310).

Ballet/Clement Crisp

Ashton's 'Cinderella'

It could be said that London is crammed with ballet at the moment, with the Royal, Kirov, English National and City Ballet of London troupes all pitching for Christmas trade. It could be said - if ballet meant the most predictable offerings, which is to say a pair each of *Nightcrackers* and *Cinderella*. On any other terms the city is starvation corner for choreography, with only Ashton's *Cinderella* at Covent Garden providing real nourishment.

delicate humour, and at the baller dancing flowered in its best qualities of happy virtuosity, lightness, a true sense of choreographic structure. The big solo, with its gathering emotional and physical momentum, was done with unerring speed and clarity. It has not looked so brilliant for many years. Bruce Sansom was charming and courtesy personified, an ideal prince. And Tatstiya Kumakawa produced sun-bursts of dance as the Jester. Never were such pinpoints, such complex and impeccable beaten steps: it is bravura dancing of the highest order.

The joys of Ashton's *Cinderella*, which I watched on Wednesday night with delight undiminished after nearly 40 years, are plain to see. Here are classical dances beautifully shaped, marvelously set into the score (finest jewels in finest gold), and performed with a loving affection. The Ashton style, so nuanced and sophisticated in means, is sometimes at a premium at Covent Garden, but I salute this cast - led by Miyako Yoshida, making her debut as Cinderella - for the grace and sensibility with which each solo and ensemble was played.

The best comedy of the evening came from the unexpected quarter of the Napoleonic partner for Iain Webb's Ugly Sister at the ball. Peter Abegglen is a handsome and gifted young dancer. He here transformed himself into something very like a sex-crazed tuboret. Sagging at the knees with apparent lust, he made huge fun out of a mishap when he somehow acquired an Ugly Sister's necklace. To see him trying to secrete diamonds about his exquisite jacket was very funny. He also has dreadful trouble with a wig, which is like nothing as much as a small squashed forest creature, whose front and back are constantly called into question. Blissful. All in all, a grand evening.

When once we watched *Cinderella*, it was to be caught up in the tempers and temperaments of

performances were admirable. The season fairies - Sarah Wildor (her arms a ravishment as Spring); Gillian Revie; Belinda Hatley; Zenaide Yanowsky - were as good as any in recent years, and Muriel Valtat was a radiant Godmother. I do not think I have seen Miyako Yoshida better in any of her Opera House performances. She enters the role quietly, but with the solos in the kitchen she reveals a

Television/Christopher Dunkley

For the three days of Christmas...

production lives up to the cast list, which reads like an Equity hall of fame: Ian Richardson, Donald Sinden, Patsy Byrne, John Sessions, Nicholas Farrell, James Wilby, Gina McKee, Nigel Davenport and more. Also at 3.10 BBC2 begins *Casablanca*, greatest cult movie of them all with Humphrey Bogart trying hard to resist Ingrid Bergman in wartime North Africa. The great thing is, this one fully deserves cult status.

Repeated on the radio, for those who missed it yesterday, is *A Festival of Nine Lessons And Carols*, from King's College Chapel (3.20 Radio 3). And also on radio, there are two programmes which will serve, sadly, as tributes to that endearing entertainer Willie Rushton after his untimely death. *I'm Sorry I Haven't A Cue Christmas Special* is on Radio 4 at 5.00 pm, and *An Antidote To Christmas*, with readings and music from Rushton and The BBC Singers, is on Radio 3 at 9.30 pm.

At 8.15 Channel 4 begins the acclaimed production of

Gounod's *Faust* which was first presented in the spring by the Welsh National Opera. An English language version, it lasts more than three hours and stars Paul Charles Clarke in the title role, Janice Watson as Margherita, and Alastair Miles as Mephistopheles. *Charles Mackerras* conducts the WNO, and television direction is by the best in Britain: Derek Bailey.

Otherwise it is largely a question of which movies to watch. It would be as well to steer anyone under the age of about 13 away from *Jurassic Park*, which is violent even though the technical effects are astounding (6.20 BBC1). Best selections are *Bambi* for those with satellite or cable (Disney Channel 7.00 am and 6.15 pm); *The Band Wagon*, a classic musical with Fred Astaire and Cyd Charisse (8.30 am, breakfast time, BBC2); and *Remains Of The Day* with Anthony Hopkins giving the performance of his life as a desperately English butler in a grand house (ITV 10.00 pm).

True oddity. This documentary deals with the life of Robert Crumb, the American cartoonist whose work, with such characters as Frits The Cat, became immensely popular in the underground press and adult comics of the 1960s. This profile has been criticised for exploiting the other members of Crumb's family who all seem even more bizarre than the artist... which is saying quite a lot (11.25 pm BBC2).

Among the many animated cartoons today, two stand out chiefly because they are brand new and British. *The Adventures Of Toad* (2.00 pm Channel 4) is another spin-off from *The Wind In The Willows*, which uses the voices of Richard Briers, Hugh Laurie and the late Paul Eddington; and *Famous Fred* (6.10, also Channel 4) a

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COMMENT & ANALYSIS

# Out of the poverty trap

## Grameen Bank's lending to the poor is backed by a clear social agenda, says Mark Nicholson

What's the difference between a cellphone and a cow? Less than you think, according to Grameen Bank, the world's pioneer in lending to the poor. They are both assets which landless villagers can buy to start a business, paying for them with the small unsecured loans Grameen has advanced to 2m Bangladeshis, most of them women.

"Our idea is to bring cellphones to the villages," says Mr Mohammed Yunus, the bank's 56-year-old founder and managing director. "A Grameen borrower can buy the phone with our loans and become the village's telephone lady. Villagers can pay to use her phone to call relatives or find out prices in the markets."

Grameen (which means village) won a licence this year to provide cellphones in Bangladesh in partnership with Telenor, the Norwegian telecoms group. Mr Yunus speaks of doubling the number of telephone lines in a country where almost half the 130m people get less than the minimum recommended by international aid agencies.

And there is nothing to stop young Bangladeshis keying in computer data for clients in the west, says Mr Yunus. Grameen has set up an internet service provider in Dhaka and is examining ways of supplying candle-lit Bangladesh villages with solar power.

"Virtual offices can grow in the villages," he says. "The boys and girls won't have to rush to cities in Britain or America for these jobs; the jobs will come to them."

All this may sound unlikely, but Grameen Bank has always done things differently, lending funds to people most bankers would regard as impossibles credit risks.

One such is Ms Ana Khatun, a woman in her late 30s who lives in the hamlet of Shonailga, 100km north of Dhaka. Nine years ago

she borrowed Tk1,000 (\$24) from one of Grameen's first centres to buy tools to make bamboo furniture. She now owns a shop selling cigarettes, magazines, bread and biscuits and is repaying loans worth Tk16,000 borrowed to expand her stocks.

"I used to be a very shy person," she says. "I never knew so many things as I do now. Now I know so much, I'm very confident."

At least 600,000 Bangladeshis have been lifted out of poverty by such loans which average about \$75. Grameen claims to have a repayment rate of 98 per cent.

The bank's success has made it a model for micro-credit that has been copied from inner-city Chicago to the Philippines. It has helped fashion development thinking and turned Mr Yunus into a globally feted guru.

The idea of the bank was inspired in 1976 when Mr Yunus, who had returned to newly independent Bangladesh from a US university teaching post, met a woman in Chittagong who made bamboo furniture. She earned hardly anything for her toil, buying her materials from the same man who bought her finished work. Mr Yunus realised a small

advance could release her from this near-slavery.

His students at Chittagong University were asked to see how many other poor workers might also earn some economic independence through a small loan to buy simple tools or materials. They found that \$26 in total would equip 42 skilled workers with the means for self-employment.

No bank would lend such small sums to poor people with no security. So Mr Yunus set up an institution which would lend tiny sums without any more collateral than the recipient's willingness to repay. Today the bank has 1,060 branches covering about half of Bangladesh's villages.

He organises his borrowers into groups of five. Individuals in the group can borrow for anything they choose, from tools to husk rice to cows to produce milk. They use their own knowledge of what they need as "risk appraisal" and peer pressure enforces the discipline of repayment.

From the outset, Mr Yunus gave Grameen Bank, as it formally became in 1983, a clear social agenda. Borrowers, increasingly the poorest village women, had to subscribe to a charter of 16 "decisions": to keep their



Mohammed Yunus with some of Grameen's borrowers

# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 (7) 573 5338 (please set fax to "fax"). e-mail: letters.editor@ft.com Published letters are also available on the FT web site: http://www.ft.com Translation may be available for letters written in the main international languages.

## Echoes of Britain's experience of the ERM found in Emu

From Mr Stephen J. Davies, Sir, Richard Layard ("False fears about Emu", December 18) questions the relevance of the UK's experience in the European exchange rate mechanism to the debate about the effect of Emu on jobs, and argues that high unemployment elsewhere is not a reason to delay Emu. The UK's ERM experience may be more relevant than he suggests.

It 1997 is the fifth successive year when the UK grows faster than both France and Germany, the UK will approach 1999 needing higher interest rates than would be set by a European central bank, and probably with the real sterling exchange rate overvalued. There is thus every likelihood that if the UK joined Emu in 1999 it would repeat its mistake and enter an

uncompetitive exchange rate, which would be bad for jobs.

In the immediate aftermath of entry, the UK's problem would be additional inflationary pressure caused by interest rates falling to the level set by the central bank. The consequent inflation would exacerbate the longer-term competitiveness problem and the prospect for jobs in the UK.

There are two reasons why high unemployment in other countries makes an early move to Emu unwise. First, if more enlightened labour market policies eventually prevail, and the sustainable level of unemployment falls substantially in many European countries, such a structural change would alter the appropriate pattern of real exchange rate relativities across Europe. It would

clearly be better to accomplish this change while nominal exchange rates were still free to adjust.

Second, high levels of unemployment not due to structural factors may be indicating that exchange rates are wrong. Again, the UK's ERM experience is relevant. As of mid-1992, UK inflation and interest rates had converged very close to German levels, and did not provide any evidence that the UK's position in the ERM was at risk. It was indicators such as unemployment that showed the unsustainability of the UK's ERM membership.

Stephen J. Davies, Economic research executive, Institute of Directors, 116 Pall Mall, London SW1Y 5ED, UK

## Unhappy new millennium

From Mr Ian L. Duff, Sir, Nicholas Denton seems to miss the nub of the problems on the software changes needed for the millennium ("Making a date with the euro", December 18). The euro development is straightforward. It is new, it is similar in stature to value added tax and decimalisation, but the date problem is being underestimated. Both Barclays de Zoete Wedd in its quoted paper and Nicholas Denton seem to be interested in the costs of the changes, and not the implications for the future of companies.

The Gartner Group, quoted in the article, also states that only 20 per cent will have addressed the millennium issue by the end of 1997. That means that 80 per cent will not have done so. There seems to be a reluctance to see this as an issue. Even my PC, purchased in 1995, does not allow for the end of the millennium.

The British Computer Society's recent paper, *The Year 2000*, written by practical people in organisations deeply affected, tries to raise the urgency. It says "... the problem does not sound spectacular ... [but] its impact is potentially catastrophic".

Nicholas Denton does say that the problem is the more widely feared, but there is a difference between fear and action. The euro may not happen but December 31 1999 will. Is the British Computer Society overestimating the issue? If it is right, there could be many a red-faced chief executive in January 2000.

Ian L. Duff, 52 Queensland Avenue, Gillingham, Kent ME8 9NU, UK

## Sauce for the goose

From Mr Richard Young, Sir, Christmas is a time for quizzes, so here is a question. Suppose the European Commission proposes to ban meat and bone-meat. How will the UK vote? As if you don't know, it is against - no scientific basis, uncompetitive beef industry, etc.

Now it has proposed a ban on a poultry feed antibiotic thought to cause immune drug resistance ("EU to ban antibiotic from animal feeds", December 20). BSE still stings, surely Britain will lead the way. The vote: 14 in favour, one against.

Enjoy your Christmas dinner, MAFF - as you don't like cold turkey you may get cooked goose!

Richard Young, Kite's Nest Farm, Broadway, Worcestershire, UK

## All the violence that's fit to show on television

From Ms Elizabeth Herzog, Sir, Christopher Dunkley made an excellent point ("Violence put in perspective", December 18). Indeed, people were violent long before television.

However, we should not be fooled into thinking that there is no censorship of violence on television. Whereas any amount of dramatised violence is permitted, real violence is routinely eliminated from news programmes and documentaries.

We are never permitted to see the results of real shootings or bombings. The US invasion of Panama, Britain in the Falkland Islands, and the Gulf war were completely banned from public view.

Likewise, we are never shown the results of terrorist bombings.

Elizabeth Herzog, 7 Diskin, Jerusalem 96440, Israel

shootings and stone-throwings. The New York Times, whose motto is "All the news that's fit to print", obviously doesn't think that photographs of victims of murders and other violence are acceptable for public view, even though it is a staunch defender of the freedom of the press.

The much-vaunted "public's right to know" does not include knowing the results of violence.

One can only guess at the reason for this inverse censorship. Perhaps if the public could see how truly awful and gruesome real violence is there would be a greater public demand to stop it.

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Mr Elias Freij is not a happy man. As mayor of Palestinian-controlled Bethlehem, he expects to welcome thousands of pilgrims tonight to celebrate the birth of Jesus.

He is planning fireworks, music and carol services. But he has no money for new decorations.

"We will manage somehow," says the 78-year-old Christian who was elected mayor earlier this year in the first free elections in the areas ruled by the Palestinian Authority. "We will make do with old decorations."

From his spacious office looking out on to the Church of the Nativity on the site of what is believed to be the birthplace of Jesus, Mr Freij has been trying to raise \$40,000 (\$23,952) over the past few weeks to spruce up this market town of 35,000 people less than 10km from Jerusalem.

But the shortage of funds reflects the difficulties of life on the West Bank since the election in May of a right-wing Israeli government led by Mr Benjamin Netanyahu stalled the peace process.

There has been a sharp fall in the number of tourists visiting Israel and the occupied territories since last September's violence between Israeli and Palestinian forces. The number of "tourist overnights" last month was 23 per cent lower than in the same period a year ago. And the average occupancy level in Israel's hotels has fallen to 60 per cent compared with 73 per cent in 1995.

The Bandak family, Bethlehem Christians, invested \$4m in 1983 in building the Grand hotel in Bethlehem. They are still waiting to get a return on their investment before deciding on their future plans.

"Between 1982 and 1987, business was pretty good. Israel was promoting Bethlehem and encouraging tourism," says Mr Khalid Bandak, one of the hotel's managers. "It became difficult during the *intifada* [Palestinian uprising] which started in 1987."

"Things have become easier under the Palestinian Authority in terms of trying to get planning permission. But we can't make any long-term plans for the hotel. There are always new obstacles, whether it be closures, unrest or bombings. Any hint of violence keeps the tourists away."

## Lots of room at the inn

### Judy Dempsey on the absence of cheer among Bethlehem's Christians



Santa's welcome: but there are fewer visitors this year

In the spacious foyer of the Bandaks' hotel, staff are putting up the Christmas decorations, hoping tourist groups will decide to stay a few nights rather than return to nearby Jerusalem.

"We have just one group booked in over the Christmas," says Mr Bandak. "Many of our 60 rooms are empty. There is plenty of room at the inn."

Furthermore, the closures imposed by the Israeli government on the West Bank and Gaza have made it even more difficult. Palestinians from Bethlehem have not been able to travel to Jerusalem to work.

"If they have no work, they cannot pay their taxes. And if we cannot collect taxes, we can't buy new decorations and do other things to improve the town," the mayor says.

He has asked Mr Yassir Arafat, president of the Palestinian Authority, to make a donation - though he admits that it has more urgent priorities. He has asked the Israeli authorities to suspend the closures on Christmas Day to allow Bethlehem's 12,000 Christians to visit the Church of the Holy Sepulchre in Jerusalem, one of the central shrines of Christianity.

Mr Freij has been particularly keen this year to offer pilgrims a warm welcome, to show that Bethlehem is a safe and hospitable place for visitors after a year under the Palestinian Authority.

"The eyes of the world will be upon us," he says. "I want our visitors to feel safe. I want them to keep coming back especially since they are so important for our economy as much as they are vital for preserving the traditions here."

But the stalling of the peace process is having more far-reaching effects on Bethlehem - in particular on its dwindling Christian community of around 12,000. Mr Mitri Raheb, a young Lutheran pastor at the International Centre of Bethlehem, a Lutheran-run institution, says he knows of at least 20 Christian families who have emigrated over the past six months.

Mr Raheb, who was born in Bethlehem 34 years ago and who studied theology at the German university of Marburg, says the Christians feel threatened. He believes they are unsure about what kind of coexistence will

evolve between the Palestinian Authority dominated by Muslims and the Christian minority.

"It is not only because they have a lower birth rate than the Palestinian Muslims which is affecting the demographic balance between the communities," he says. "But life under the Palestinian Authority has become more uncertain mainly because the peace process has come to a virtual standstill. We feel hemmed in."

Mr Raheb believes this sense of uncertainty plays into the hands of Muslim extremists and fundamentalists whose growing support alarms Christians.

The unemployment rate in Bethlehem is over 30 per cent. And even those who want to stay find it difficult to acquire land on which to build.

"Bethlehem has always been a special mix of Christians and Muslims," says Mr Freij. "But it is becoming increasingly difficult to preserve this tradition. If there is no perspective for young Christians, they will join their relatives, many of whom live in Latin America. The churches here will become museums."

Mr Raheb says the Palestinian Christians are as tired as the Palestinian Muslims at the constant harassment when they travel outside Bethlehem. Because he has a Palestinian passport, he has not been allowed travel to Jerusalem since September even though his Lutheran Bishop has his seat in Jerusalem.

"I want to pray in the Church of the Holy Sepulchre on Christmas Day," he says. "But I am not going to ask the Israeli military administration for permission to travel. I have been refused too often in the past, without any explanation. I don't want to be humiliated again."

Like Mr Freij, Mr Raheb wants the Christians to remain in Bethlehem and in other regions controlled by the Palestinian Authority where a total of 60,000 still live. "We are part and parcel of Palestinian society and part and parcel of the Arab-Islamic society. It is part of our identity."

"If we are not allowed to maintain these traditions, I fear Palestinian society could become a monolithic culture, giving the Christians little reason to continue living in Bethlehem," he says.

مكتبة الأمل



Peru terrorists appear set for long stand-off

By Sally Bowen in Lima

Terrorists holding about 140 hostages in the Japanese ambassador's residence in Lima appeared set yesterday for an extended siege after the release on Sunday night of 225 captives.

They include the Peruvian ministers of foreign affairs, justice and agriculture, senior members of the judiciary and high-ranking police and military officers. Several Japanese and Peruvian businessmen and Latin American diplomats are also being held.

The freed Austrian ambassador to Lima said each terrorist had 15kg of explosive strapped to his body, attached to a small ring. "Had they pulled that ring, nothing much would be left of the Japanese residence today."

Vatican attacks hotline for tax fraud informants

By Robert Graham in Rome

An Italian government hotline set up to encourage people to inform on tax and social security fraudsters has provoked a public outcry and a fierce attack from the Catholic church.

Singapore party certain of victory

Continued from Page 1

tronics products, economic growth this year is predicted at 6 per cent, down from 8.8 per cent last year. In addition, many young people - while enjoying incomes that have overtaken those in Singapore's former colonial master, the UK - have begun to seek changes to the highly disciplined way of life.

UK interest rates expected to rise within two months

By Robert Chote in London

Mr Kenneth Clarke, the chancellor, is expected to raise UK interest rates again within the next two months, after yesterday's release of minutes from his October 30 meeting with the governor of the Bank of England.

minutes left the markets convinced rates will rise soon. The short-strengthening futures market suggests that dealers expect base rates to stand between 6.5 and 6.75 per cent by March. Expectations of higher rates helped buoy the pound, which closed 0.4 points higher at 94.5 per cent of its 1990 value.

Brussels row over air slots

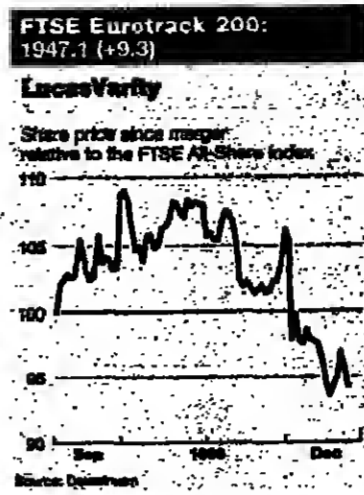
Continued from Page 1

would not have the financial advantage to start with". Instead, Mr Van Miert wants profits from the trade diverted to airport authorities. EU officials admit the row has been complicated by the proposed alliance between American Airlines and British Airways.

FT WEATHER GUIDE Europe today Five-day forecast TODAY'S TEMPERATURES Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

THE LEX COLUMN The slot market

The current spat between Mr Neil Kinnock and Mr Karel Van Miert, European transport and competition commissioners respectively, has huge implications for European airlines. Quite rightly, Mr Kinnock wants the current under-the-counter trading of slots to be formally permitted so a proper market can develop.



merger talks announcement. And given the need for rationalisation in the sector, Lucas was negotiating from a position of weakness rather than strength. Indeed, Lucas shareholders should be grateful on two counts: first, the merged unit has a stronger chance of flourishing in a fast-consolidating market than Lucas did alone.

Mr Giulio Tremonti, finance minister in the 1994 Berlusconi government, which extended an amnesty to tax evaders, described the move as being of "dubious morality". The Roman Catholic Church condemned the headline as "immoral" in an article in the Osservatore Romano, the Vatican's newspaper.

McDonald's Can it be that a combination of salty ketchup and limp lettuce leaves is corroding the fabled golden arches? The world's best known consumer brand is having to face the unpalatable truth - US diners are losing a taste for its burgers.

LucasVarity If it looks like a takeover, smells like one and tastes like one, it probably is a takeover. Former Lucas executives may have their hands on some operational levers in the newly merged LucasVarity, but at the strategic level Varity has clearly achieved a reverse takeover.

Northern Electric Northern Electric's capacity to excite controversy never ceases to surprise. Prudential Corporation, which has a big stake in Northern and is staunchly backing the management, is behind the latest twist. The Pru has started offering to buy Northern's suspended shares at the bid price, presumably in the hope that nervous shareholders will take the cash and withdraw their acceptance.

Advertisement for PIAGET watches featuring a woman's face and a Piaget watch. Text includes 'Exceptional character', 'Since 1874, PIAGET watches have been manufactured in our own workshops in Switzerland', and 'JOAILLER EN HORLOGERIE PIAGET'.

Large vertical advertisement on the right edge of the page, partially obscured, mentioning 'plans alliance with Italian bank'.



COMPANIES AND FINANCE: INTERNATIONAL

INTERNATIONAL NEWS DIGEST

Siemens to acquire Elektrowatt stake

CS Holding, the Swiss bank, said Siemens, the German conglomerate, would buy its stake in Elektrowatt AG...

CS Holding said Siemens would buy the 44.9 per cent stake after the conclusion of the Elektrowatt spin-off...

The takeover would allow a number of advantages in research and development for both companies, they said.

Mr Heinrich von Pierer, Siemens chairman, said of the takeover offer: "The purchase of the industrial portion of Elektrowatt will bring Siemens to further leading positions in important business fields on the global market."

AFX News, Zurich

FDA approval for Teva drug

Teva Pharmaceutical, the Israeli drugs group, has received marketing approval from the US Food and Drug Administration for Copaxone...

AP-Dow Jones, Jerusalem

Warning from Renault chief

Mr Louis Schweitzer, Renault chairman, said he expected the European car market to decline in 1997...

AFX News, Paris

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Ina, BNL plan link-up if Napoli bid succeeds

By Robert Graham in Rome Ina, the partially-privatised Italian insurance group, yesterday revealed plans for a wide-ranging alliance with Banca Nazionale del Lavoro...

The plans are based on a successful joint bid to buy 60 per cent of the troubled Banco di Napoli, which accounts for 18 per cent of retail banking business in southern Italy.

more than L120bn (\$78.5m). This low figure reflects the strong probability that the treasury will not subscribe to a new capital increase...

The treasury has already said it will transfer up to L12,000bn of doubtful loans off Napoli's balance sheet to a "bad bank" formed from a Banco di Napoli shell company.

would cede its life assurance arm, BNL Vita, with annual premiums worth L500bn.

Ina would also be able to use Banco di Napoli's 750 branches and the 650 BNL branches for selling insurance.

Battle of the burgers starts to sizzle

One burger may taste much the same as another to the uninitiated. But can it be possible that Burger King's Whopper really does taste better than a Big Mac?

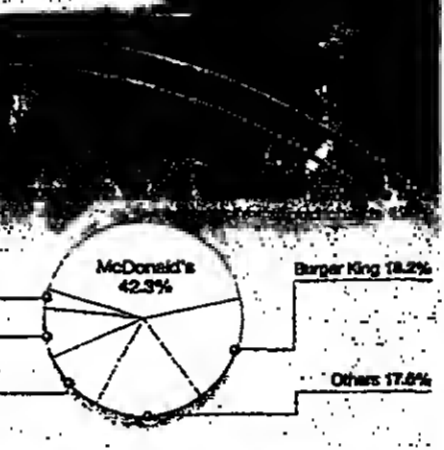
You might think so, to listen to Mr Robert Lowes, Burger King chairman and chief executive. Tests tests prove it's a superior product, he says.

The obvious sideswipe at McDonald's is hardly surprising. Although Burger King traces its roots to 1954, a year before the first McDonald's opened...

Mr Paul Clayton, head of marketing, says that in the late 1980s and early 1990s, Burger King was looking for a new product that would provide the key to growth.

After that, Burger King belatedly caught on to the fact that its menu was too expensive, and cut prices. Advertising started to stress Burger King's market strengths: the flame broiling and "have it your way" choice of dressings.

Not all the news is good. In the year to September, the scare over BSE, or mad cow disease, hit sales in the UK.



Lowes, a GrandMet insider who took over at Burger King a year ago, was to halt the process of franchising out company-owned outlets...

Roche to pay \$94m for RPR brands

Roche, the Swiss pharmaceuticals group, said it would buy the European vitamin and tonic brands of Rhône-Poulenc Rorer...

The transaction would include the sale of product rights and inventories in Germany, Switzerland and Poland for tonics, vitamins and garlic supplements.

The 1996 sales of the brands were \$60m, Roche said. Rhône-Poulenc Rorer said it agreed to sell the various products to Roche for \$94m.

"RPR will have realised about \$850m from divestitures in 1996, which exceeds the 18-month target of \$750m announced at the beginning of this year," said Mr Patrick Langlois, Rhône-Poulenc Rorer executive vice-president and chief financial officer.

This transaction reflects our ongoing commitment to refocus our resources to areas deemed strategic to our future business.

Richard Tomkins

STET - Società Finanziaria Telefonica - per Azioni. NOTICE PURSUANT TO ARTICLE 5 BIS OF LAW No. 216 OF JUNE 7, 1974 OF THE REPUBLIC OF ITALY. Notice is hereby given that on December 20, 1996, the Italian Ministry of the Treasury has made public its purchase of the interest held by Istituto per la Ricostruzione Industriale (IRI) S.p.A. in the share capital of STET - Società Finanziaria Telefonica - per Azioni...

CALL FOR EXPRESSIONS OF INTEREST IN PURCHASING PYRITE CONCENTRATE OWNED BY "HELLENIC CHEMICAL PRODUCTS AND FERTILIZERS COMPANY SA" OF ATHENS GREECE. ETHNIKI KEPHALEOU S.A., Administration of Assets and Liabilities, of 9A, Chrysothessou Stis St., Athens, 10560, Greece, in its capacity as Liquidator of "HELLENIC CHEMICAL PRODUCTS AND FERTILIZERS COMPANY SA"...

Club Méditerranée. The Club Méditerranée Group has reported a provisional consolidated turnover of 8,012 million French francs for the year ended 31 October 1996, compared with 8,467 million francs for the year earlier period. The decrease primarily resulted from the divestment of Maeva, which accounted for turnover of 385 million francs in fiscal 1995.

Crystal Castle Euro-Finance Limited. U.S. \$150,000,000 Guaranteed Asset-Backed Floating Rate Notes Due 1999. In accordance with the terms and conditions of the Notes, notice is hereby given that the interest rate for the Interest Period from 23rd December, 1996 to 24th March, 1997 is 5.925% per annum.

AMENDMENT ADVICE. Istituto Bancario San Paolo di Torino S.p.A. London Branch. USS 150,000,000 Floating Rate Depository Receipts due 1997. Please be advised that the Coupon Amount payable on the relevant Interest Payment Date, June 20, 1997 will be USD 1,488.07 and not USD 1,483.23 per Receipt relating to a Deposit of USD 100,000 and USD 7,435.35 and not USD 7,466.15 per Receipt relating to a Deposit of USD 250,000.

INVESCO LUXEMBOURG S.A. Société Anonyme. 11, Blvd. Grande-Duchesse Charlotte, L-1331 Luxembourg. R.C. Luxembourg B 29 885. High Income Balance Fund. Notice is hereby given that High Income Balance Fund shall be dissolved as of the 30th December 1996 and all shares outstanding as at such date shall be redeemed at the net asset value calculated on 30th December 1996.

NBD BANCORP, INC. US\$100,000,000 Floating rate subordinated notes due 2005. Notice is hereby given that for the interest period 24 December 1996 to 24 March 1997 the interest rate has been fixed at 5.75%. Interest payable on 24 March 1997 will amount to US\$143.75 per US\$10,000 note.

COFINOGA FRF 1 000 000 000 FLOATED EIGHTEEN MONTH NOTES DUE 1997. For the period December 20, 1996 to March 20, 1997 the interest rate has been fixed at 3.47656 % p.a. New payment date: March 20, 1997. Coupon rate: 3.47656 % p.a.

Atlas Capital Limited. Guaranteed Floating Rate Notes due 1998. Unconditionally and irrevocably issued and guaranteed as to payment of principal and interest by a financial institution.

Province of Québec. Floating Rate Notes Due 1999. Notice is hereby given that for the Interest Period from December 24, 1996 to March 24, 1997 the Notes will carry an interest rate of 5.925% per annum.

ANSETT AIRCRAFT FINANCE LTD. USD 50,000,000 Floating Rate Notes due 2001. Notice is hereby given that the interest rate for the period from December 24, 1996 to March 24, 1997 will be fixed at 5.80% per annum.

ANSITT AIRCRAFT FINANCE LTD. USD 50,000,000 Floating Rate Notes due 2001. Notice is hereby given that the interest rate for the period from December 24, 1996 to March 24, 1997 will be fixed at 5.80% per annum.

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COMPANIES AND FINANCE: INTERNATIONAL

INTERNATIONAL NEWS DIGEST

**American General buys life company**

American General, one of the most acquisitive US life insurance companies, yesterday announced it was buying Home Beneficial, a Virginia-based life company, for \$665m. The deal is American General's third acquisition in the last two years, and brings its total expenditure over that period to \$2.2bn.

The company describes its strategy for growth as "opportunistic participation in the consolidation of the financial services industry". At the beginning of its acquisition campaign, in 1994, it set a target of doubling its \$45bn asset base within five years. It is already one of the largest quoted life companies, and it now has total assets of \$64bn.

Home Beneficial, which has about \$1.4bn in assets, was known to have been looking for a buyer in recent weeks. Houston-based American General is one of a group of companies, which also includes GE Capital and Conesco, that has taken a lead in buying small life insurance companies, many of which are finding it hard now that they are in direct competition with commercial banks and mutual fund companies.

Mr Robert Devlin, American General's chief executive, said both companies offered similar life insurance products and used a similar distribution system in a similar geographical area - an increasingly important factor for life insurers. Home Beneficial has 1,000 full-time agents operating in six mid-Atlantic states. Mr Devlin estimated that Home Beneficial had excess capital of \$300m. He was also bullish about the prospects for growth after the acquisition, saying it could mean \$20m in annual expense savings. He predicted the purchase would increase earnings within one year of closing.

Home Beneficial shareholders will be offered a choice of cash or stock under the deal. The cash portion, which will be limited to a maximum of half the overall deal, will be worth \$39 a share. American General's shares were virtually unchanged, slipping 4% to \$40 1/4 in early trading. Home Beneficial stock was one of the strongest performers for the morning, gaining 8% to \$38, still \$1 short of the acquisition price. *John Authers, New York*

**Advance Bank deal backed**

Shareholders in Sydney-based Advance Bank yesterday voted overwhelmingly in favour of a takeover offer from St George Bank, a slightly larger regional bank based in New South Wales. More than 77 per cent of the shareholders voted, of whom 89.5 per cent were in favour of the A\$2.65bn (US\$2.1bn) proposal, which offers a combination of cash and St George shares for all Advance's ordinary shares.

Final confirmation of the takeover will be in late January, but the Australian Competition and Consumer Commission has approved the deal, and the federal treasurer has also given approval in principle. There have been objections to the voting structure of the deal, notably from National Australia Bank, one of Australia's big four banks, which has ambitions to take over St George. But the Australian Securities Commission announced yesterday it would not object to the voting structure. That issue will be the subject of a court hearing in early January.

Yesterday's vote, together with the decision by the ASC, further reduces the possibility that NAB will succeed in blocking the deal and acquiring St George itself. NAB would find it much harder to take over the larger combined bank, which will have assets of around A\$40bn and be the fifth-largest bank in Australia. *Bethan Hutton, Sydney*

**Sumitomo, Bechtel in India**

Sumitomo, the Japanese trading conglomerate, and Bechtel Corp, the US engineering group, are to take a stake in a US\$1.1bn oil refinery project in India being developed by the Hinduja group, the trucks-to-power industrial house. The refinery, to be built at Hardsapur in Orissa state, will have a total refining capacity of 2m tonnes of crude oil a year. The project will also include a 250MW power station.

Mr Gopichand Hinduja, one of the four brothers that control the Hinduja group, said Sumitomo would take a 25 per cent stake in the project, while Bechtel would have 5 per cent. The Hinduja group would retain a 51 per cent stake and the balance of the equity would be offered to the public. Mr Hinduja said construction on the project would begin in about six months, for completion three years later. *Tony Tassell, Bombay*

**ADIG plans Poland fund**

Allgemeine Deutsche Investment Gesellschaft, the German-owned fund management company, is to establish a mutual fund operation in Poland with the Export Development Bank (BRE). The deal comes just after the Polish Development Bank and Kleinwort Benson Investment Management won a licence from Poland's securities commission for a mutual fund operation aimed at investing in the country's securities market.

Mutual fund management in Poland has increasingly attracted the interest of foreign institutions that believe the country's stock exchange, capitalised at \$8.1bn, is set to grow. Expected pension reforms should also generate management opportunities for institutions that gain experience through mutual fund operations. BRE is a listed Polish bank 21 per cent owned by Commerzbank of Germany, which also holds a 40 per cent stake in ADIG. *Christopher Bobinski, Warsaw*

**Ingelco in Cuban venture**

Chilean company Ingelco is setting up a joint venture in Cuba's dairy sector to produce milk products for sale to the Cuban market. The 50-50 venture between Ingelco and Cuba's state-run Union Lactea will involve a \$5m investment in a dairy plant in Cuba's central Sancti Spiritus province. It is believed to be the first foreign investment in Cuba's recession-hit dairy sector. Ingelco already has a joint venture in Cuba producing fruit juices. *Pascal Fletcher, Havana*

**German telecoms opens up**

The German government has granted the first licences to companies wanting to compete with the partly-privatised Deutsche Telekom in providing telephone services from January 1998.

Vebacom, the telecoms subsidiary of the Veba conglomerate, was awarded a nationwide licence. A licence for the Hamburg, Berlin, Potsdam, Frankfurt and Munich regions went to Colt Telecom of Frankfurt. A licence to operate a phone service in Cologne was granted to NetCologne, which is 75 per cent owned by the city's own utility company.

Financial details were not disclosed. Earlier this week, Mr Wolfgang Böttsch, telecommunications minister, said telephone licences would be granted in return for one-off payments ranging from DM2,000 for the smallest area to DM40m (\$25.7m) for a nationwide network such as that granted to Vebacom. *Peter Norman, Bonn*

**Brazil plant for Asia Motors**

Asia Motors, the South Korean automotive manufacturer, said yesterday it would spend \$500m to build a factory in the state of Bahia, Brazil - its first such investment outside South Korea. The announcement, which was expected for some months, follows a presidential decree last week granting tax incentives to vehicle manufacturers setting up in Brazil's underdeveloped north-east. *Jonathan Wheatley, São Paulo*

**Huhtamaki sells remaining drugs unit**

By Greg Melvor in Stockholm

Huhtamaki, the Finnish international foods group, yesterday completed its withdrawal from the pharmaceuticals business by selling its Star ophthalmics division to Santen Pharmaceutical of Japan, the world's second-largest prescription ophthalmic drugs company.

The FM430m (\$32.7m) deal, to be concluded early in the new year, will form a launch-pad for Santen's entry into the European market. For Huhtamaki, it

marks the culmination of a restructuring in 1996 aimed at narrowing its focus to two core areas: confectionery and food packaging.

Mr Takakazu Morita, Santen president, said the acquisition of Star, which had 1995 sales of FM130m, was an important step in Santen's development outside its traditional Japanese market. Santen, which derives 90 per cent of its \$600m annual sales from ophthalmic pharmaceuticals, said Star's manufacturing facility in Tampere, southern Finland, would be suitable for its worldwide products.

Huhtamaki's exit from pharmaceuticals was triggered by high research and development costs and lack of international marketing clout. It sold its main pharmaceuticals subsidiary, Leiras, to Schering, the German drugs group, for FM1.4bn in July.

Huhtamaki's most-traded 1-share advanced FM4 to FM311 in Helsinki yesterday. The stock, which started the year at FM105, has more than doubled in value in 1996, reflecting market approval for the restructuring drive.

"Huhtamaki has done the

right thing. Pharmaceuticals is a very research-intensive business and two core areas are enough," said Mr Hans Boström, Finnish analyst at Paribas Capital Markets in London.

He suggested the stock was around 15 per cent undervalued, and predicted strong annualised growth of 15-17 per cent for Huhtamaki in the next five years.

Mr Timo Peltola, Huhtamaki chief executive, said the company would seek to expand its remaining operations in 1997 through a blend of acquisitions and organic growth. Huhtamaki

would double its food packaging capacity in Poland and Russia, and build a plant in China.

In confectionery, the company would expand into Asia via two joint ventures: one with East Asiatic Company, a Danish-based international marketing group, and the other with Parry's, a leading Indian sugar confectionery company.

Huhtamaki in October sold its US confectionery operations to Hershey Foods of the US and bought Hershey's confectionery operations in Germany and Italy in a \$550m asset swap.

**US drugs group in biotech alliance**

US pharmaceuticals company Schering-Plough will pay the Boston-based biotech group Genome Therapeutics up to \$67m as part of an asthma research collaboration between the two. *Daniel Green*

Under the terms of the deal, Genome will identify genes and associated proteins for use by Schering-Plough in developing new pharmaceuticals.

The deal could be important for Schering-Plough because the company is one of the few in the US with big selling products in asthma. European companies Glaxo Wellcome and Astra dominate the market.

Schering-Plough will pay Genome an undisclosed upfront licence fee, fund a research programme, make milestone payments and pay royalties based on sales of products developed under the tie-up.

These payments to Genome could reach \$67m, excluding royalties, with about \$22.5m coming from licence fees and research payments and \$44.5m from milestone payments.

**Lippo unit buys into leading retailer**

By Manuela Saragosa in Jakarta

Multipolar Corporation, the Indonesian information technology and retailing company which operates a number of the country's foreign franchises, including Wal-Mart Stores of the US, plans to take a majority stake in the country's largest chain store owner, Matahari Putra Prima. The move would give it access to hundreds of outlets outside Jakarta.

Officials at Multipolar, part of the banking-to-property Lippo conglomerate, said the company planned to take a 50.1 per cent holding in Mata-

hari if shareholders of both companies approved the deal at a meeting scheduled for January 30.

Multipolar plans to pay Rp673bn (\$285.1m) for 45 per cent of Matahari owned by Mataharijaya Putraprakasa, the holding company of Matahari's founding shareholder, Mr Hari Darmawan-owned. It is also tendering for 5.1 per cent of the issued share capital, at Rp3,200 a share.

Financing for the acquisition is still sketchy. Officials said the approach would be three-pronged, with Rp61.88bn paid in cash, and Rp300.29bn and Rp311bn financed with 12- and 24-month non-interest

bearing notes, respectively. Analysts, however, noted a rights issue was also mentioned.

Matahari's department stores, which sell everything from foods to furniture, cater to low to middle-income consumers, while most of Multipolar's franchises, which include J. C. Penney and Fireworks Family Entertainment centres, target higher-income brackets.

Benefits of the acquisition are expected to flow mainly to Multipolar. Its Wal-Mart franchise, one of the few foreign stores in Indonesia to target middle-income consumers, stands to gain access to Matahari's

more than 80 department stores around the archipelago.

In the past year, Matahari has viewed the entry of Wal-Mart as competition, and responded by opening its first hypermarket-style store, Mega M, in Jakarta. "At least now we won't see a Wal-Mart opening up across the street from Mega M, and Matahari needs the management and technology that a foreign retailer can bring," said Mr Rudy Ramawaty, analyst at Peregrine Sewu Securities in Jakarta.

Matahari's shares closed up Rp125 at Rp2,850, while Multipolar was down Rp100 at Rp1,575.

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COMPANIES AND FINANCE: UK

# LucasVarity finance director quits

By Tim Burt

LucasVarity, the Anglo-US automotive and aerospace components group, yesterday announced the surprise departure of Mr John Grant, its finance director, less than four months after the £3.2bn (\$5.3bn) merger of Lucas Industries and Varity Corporation of the US.

The company said Mr Grant, 49, had agreed to resign following a board meeting last week, where it was decided he did not have the "international aptitude"

for the job.

Sir Brian Pearce, LucasVarity chairman, said: "The board decided we wanted a finance director who was more global in outlook. I should think John was disappointed, but we needed a change."

Mr Grant - the only remaining executive director of Lucas to sit on the LucasVarity board - has been replaced by Mr Neil Arnold, a 49-year-old Briton who was chief financial officer of Varity for six years before the merger.

The three most senior positions at the enlarged group are now held by former Varity directors. Mr Victor Rice, formerly Varity chairman, is chief executive. Mr Tony Gilroy, the US group's chief operating officer, has become president of the transition team overseeing the merger; and now Mr Arnold has become finance chief.

Mr Grant was said to be on holiday yesterday and was unavailable for comment. He is expected to receive compensation for loss of office

based on his two-year rolling contract and annual basic salary of £223,975 a year.

Mr Grant's departure follows the removal of a third of the senior management at LucasVarity, including Mr Bryan Mason, Lucas's personnel director and Mr Mike Beard, its head of corporate affairs.

Mr George Simpson, formerly Lucas chief executive, left the group before the merger to become managing director of GEC.

"It underlines that this has

been a reverse takeover by Varity, at least in management terms," according to one industry analyst.

Sir Brian, however, dismissed that suggestion, pointing out that a majority of the operating businesses were run by former Lucas managers.

Nevertheless, another board member said several more management changes were likely, following completion of the group's £250m restructuring, announced earlier this month.

Lex, Page 12

# British Gas and Mobil in 'take or pay' deal

By Robert Corzine

British Gas yesterday renegotiated its second "take or pay" gas contract with a leading North Sea producer. The successful renegotiation "significantly reduced" the biggest threat to the viability of Centrica, the soon-to-be demerged domestic gas supply arm, according to company executives.

No value was placed on the deal with the UK subsidiary of Mobil of the US, which is British Gas's fifth largest North Sea supplier. But the company said it meant that about a fifth of its "exposed contracts" had now been renegotiated.

Under the take-or-pay contracts - worth tens of billions of pounds - British Gas must pay for gas, even though the UK has left it with a large surplus.

Unlike an earlier deal with British Petroleum, the agreement with Mobil was aimed

more at reducing gas volumes than securing cheaper prices.

Mobil agreed to cancel two of its supply contracts with British Gas, while prices on three others will be "reduced to market levels on a phased basis."

In exchange, British Gas will transfer to Mobil a 5 per cent stake in the Beryl field, 25.5 per cent of the Nevis field and 2.5 per cent of the Sage offshore gas pipeline system.

The assets will boost Mobil's reserves by 27m barrels of oil equivalent - including gas - in its core area of Beryl. Mobil holds a 45 per cent stake in Beryl, and has nursed a grudge against British Gas for previously pre-empting its entry into Nevis.

None of the assets belong to Centrica, the domestic gas supply company with the take-or-pay liabilities and which is due to be demerged in February. But Mr Ken-

neth Gardener, British Gas's chief negotiator, said it was unlikely that Centrica would have to look to British Gas's exploration and production division for further assets.

"This was a one-off," he said yesterday. Mobil had indicated its interest in the Beryl and Nevis as early as last February.

Yesterday's deal follows a £250m (\$417.5m) deal with BP earlier this month. British Gas's exploration and production division has also agreed new terms for its contracts.

Centrica's new management has been keen to secure at least a few agreements before the end of the year in order to smooth the way for the demerger, due on February 17.

Mr Gardener said "a pause for reflection and review" would follow the conclusion of the Mobil deal, as Centrica's management needed to devote its full attention to the demerger.

# Northern bid goes into extra time

Fee to BZW throws the result into doubt, says Simon Holberton

Northero Electric, the Newcastle-based regional electricity company, seems fated to occupy a singular position in Britain's stock market history.

Northern was the company that first alerted investors to the hidden wealth contained in rec balance sheets when in 1994-95 it mounted and won a "scorched earth" defence against conglomerate Trafalgar House involving a return to shareholders of large amounts of cash.

And last night the company was embroiled in an unprecedented wrangle with the Takeover Panel which will decide the fate of the £783m hostile bid for the company from CalEnergy, an aggressive US independent power producer.

At the centre of the dispute is the behaviour of one of its advisers, Barclays de Zoete Wedd, and the circumstances surrounding North-

ern's agreement to award it a special performance related payment of £250,000.

The Panel has been investigating whether this payment was linked to the purchase of Northero shares by BZW - though the brokers deny any connection.

In Britain, advisers to a company under hostile attack can buy shares in the target company if they can demonstrate the purchases were done on an arm's length basis.

Concern about BZW's role emerged at 1pm on Friday - the day and hour CalEnergy set for the conclusion of its offer - when US bidder had managed to win acceptances for only 49.77 per cent of Northern - short of the 50 per cent and one share it needed to declare its bid unconditional.

Instead, in an unprecedented action, the Takeover Panel stepped in and allowed the bid to continue until 1pm today. It also prohibited

both BZW and Schroders from buying shares in Northern, and froze payment to BZW of the bonus.

By yesterday CalEnergy was claiming to speak for just over 50 per cent of the shares. But the Panel has reserved a final judgement, pending appeals by both BZW and Northern.

The origins of the dispute seem to lie in a meeting Mr Ian Watts, a director of BZW, had with Mr David Morris, Northern's chairman, on Tuesday last week. At that meeting, Mr Watts told the Northern chairman he thought his firm deserved a £250,000 performance fee because of the quality of its advice. The possibility of such a fee had been negotiated at the start of the bid by Mr Simon de Zoete, BZW vice-chairman, in addition to a flat fee from Northern of £1.5m.

There are different

accounts of Mr Morris's reaction. Some say he demurred and said the board would discuss the matter later. A BZW spokesman disputes this. He said there was "certainly no indication to us that they (Northern) were not minded to pay us the additional fee".

On Wednesday, BZW and Schroders, another adviser to Northern, approached the Panel to seek approval to buy Northern shares. That approval was forthcoming after assurances were given that there had been no change to the flat fee either would earn from defending the bid. The two stepped into the market and between them bought 2.3 per cent of Northern at a total cost of around £14m.

That night the full Panel heard an appeal by CalEnergy on the share purchases by Northern's advisers. It dismissed CalEnergy's appeal and said share dealings were allowable because

"there would be no change to the flat fee basis of [the advisers'] remuneration". The Panel said that it has long been accepted that the code permits advisers to buy shares.

The following day, Northern's board met to approve the fees payable to advisers. That meeting agreed BZW deserved an extra £250,000 fee because of the quality of its advice during the bid.

But just before 12.30 on the last day of the bid the Takeover Panel rang CS First Boston, CalEnergy's adviser, and requested a delay in the announcement of the bid outcome. The Panel had come into possession of new information which might have a bearing on the bid, the bank was told. It subsequently came out that BZW had informed the Panel of the £250,000 fee at about noon on Friday.

# BA settles Inspirations dispute with £6m payment

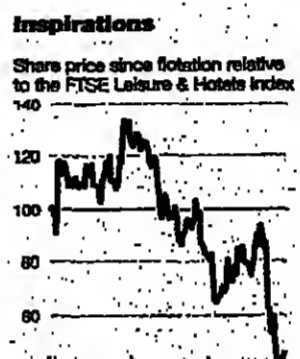
By Scheherazade Daneshkhu, Leisure Industries Correspondent

British Airways has agreed to pay £6m (£10m) to Inspirations, the tour operator, to settle a claim made against it by Caledonian Airways.

Inspirations, which bought Caledonian two years ago from BA, blamed BA, its aviation and maintenance supplier, for late delivery of aircraft which led to flight delays in the peak season. Subsequent bad publicity adversely affected September holiday sales.

The tour operator, which has up to 4 per cent of the package holiday market, yesterday reported pre-tax losses of £13.2m in the year to September 30, compared to pre-tax profits of £7.7m last year.

The total cost of the delays and disruption in its aviation and maintenance divi-



anticipated but safety is paramount."

It has paid £1.5m in cash and will subscribe for £4.4m of new unlisted convertible preference shares at 77p a share, after shareholder approval.

The shares, which reached a high of 120 1/4 at the end of August, last night rose 1p to close at 75 1/4p.

BA has also agreed to establish dedicated engineering facilities for the Caledonian fleet.

The final dividend (2.8p) will not be paid. The interim was 0.78p, last year's total dividend was 3.5p.

Mr Vic Fatah, chief executive of Inspirations, said the summer 1997 programme had been reduced. Sales of winter 1996/97 holidays were 47 per cent up on last year, while next year's summer holidays were up 10 per cent. Turnover rose 13 per cent to £403.2m.

RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current payment (p)	Date of payment	Dividends Corresponding dividend	Total for year	Total last year
Farlake	1.47	0.438	15.01	-	-	-	-	-
Inspirations	403	13.2	27.89	2.8	Jan 31	2.8	0.78	3.5
Irish & Stone	10.4	3.77	7.89	2.85	-	2.5	-	8.25
Midwide Res	0.101	0.019	0.81	-	-	-	-	1

	NAV (p)	Attributable earnings (p)	EPS (p)	Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Knox D'Arcy	38.4	4.56	10.31	5.6	-	-	-	-
Merlin Cruise	91.8	0.001	0	0	-	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. \*After exceptional charge. †After exceptional credit. ‡On increased capital. §AIM stock. ¶Comparatives for Ingham plc, which changed name and status to Knox D'Arcy Trust in April.

# Grafton buys Dublin property

Grafton Group has acquired an investment property in Dublin for \$5.8m (\$9.7m).

The property, a hotel trading as the Rathmines Plaza Hotel, is being sold by O'Dwyer Real Estate Company on a sale and leaseback basis.

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**Srednicki takes AT&T cards role**

AT&T Universal Card Service, the loss-making credit card division of the long distance telecommunications giant, has named Rich Srednicki, a former head of credit cards for Citicorp, the largest US card issuer, as its new chief executive.

AT&T, the third largest card issuer in the US by number of cards, had parted company with David Hunt, its former chief executive, in September. This was said to be for "personal reasons".

Shortly afterwards, it announced losses of \$36m for the third quarter, caused mostly by a rise in the proportion of loans it had to write off to 6.15 per cent, significantly above the industry average.

Srednicki, 49, is currently general manager of Citicorp's German consumer banking division, but ran its Visa and Mastercard operations in the US from 1990 to 1993. He has also led Citibank's attempts to cross-market its products: John Walker, AT&T's president, said that Srednicki, who will start his new job next month, would "build creative marketing linkages" with the company's other services.

While at Citibank, Srednicki led an aggressive campaign to limit the growth of AT&T's Universal card when it was launched in 1990, launching a rival card in conjunc-

tion with MCI, then the second largest long distance telecommunications provider, and successfully challenging claims made in an AT&T advertising campaign. *John Authers, New York*

**Bermuda exchange**

Arthur Sculley (left), former head of private banking at J.P. Morgan, has been appointed chairman of the Bermuda Stock Exchange. Sculley, who is 52, joins the exchange following its announcement of plans last year to become the first fully electronic offshore securities market.

Sculley is currently president of Sculley Brothers, a private investment and advisory firm which also involves his brothers John (a former chief executive of Apple Computer) and David (a former president of HJ Heinz USA). He spent 16 years in corporate finance at J.P. Morgan, before becoming head of private banking.

At the Bermuda exchange he succeeds Audette Exel, who recently resigned in order to return to Australia. Separately, Jeffrey Conyers becomes an additional deputy chairman of the exchange. *Richard Lapper, London*

**Seat rings changes**

The appointment of a new chairman at Seat, the Spanish subsidiary of Volkswagen, has been accompanied by an upheaval in its senior management.

The company confirmed last week that Pierre-Alain de Smedt, the Belgian head of Volkswagen's Brazilian operations, would take over as chairman from Juan Llorens, whose three-year contract expires at the end of the month.

At the same time it named Erich Krohn as vice-chairman and finance chief to take over from 33-year-old Utz Claassen, who is leaving to become chairman of Sartorius, a precision engineering company based in Goettingen, Germany. Claassen was known to be unhappy with the planned change at the head of Seat.

The new chairman, who has spent four years as head of Volkswagen do Brasil, will also take charge of purchasing. The current purchasing chief, Francisco Garcia Sanz, is moving to the company's supervisory board, taking the seat occupied up to now by José Ignacio López de Arriortúa, the former VW executive who has been charged with industrial espionage.

Another Seat vice-chairman, personnel chief Jochem Schumm, has been moved to a similar post at the Volkswagen plant in Wolfsburg. *David White, Madrid*

**Kowner for Sotheby's**



Ariza Kowner (left), probably the most powerful figure in Swiss cultural life, is joining Sotheby's, the international auction house, as managing director of its Zurich office. Her appointment is part of a move by Sotheby's, whose Swiss operations are concentrated in Geneva, to expand in the German-speaking part of Switzerland.

Kowner, 59, has spent the last 20 years as head of cultural and social affairs at Migros, Switzerland's biggest retailer. Migros, owned by its customers, sets aside 1% per cent of its annual turnover for social and cultural activities. That gives Kowner control of a SF7107m (\$61m) annual budget, of which half is channelled into education; she spends almost twice as much as Pro Helvetia, the government-supported Swiss arts council, on cultural activities ranging from theatre to ballet and music.

Kowner built up Migros's art collection, part of which went on show in May at the new Migros Museum of Contemporary Art in Zurich. Migros's name recognition in Switzerland, because of its cultural contributions, is second

to none and Kowner's work has been the subject of a special Harvard Business School case study. *William Hall, Zurich*

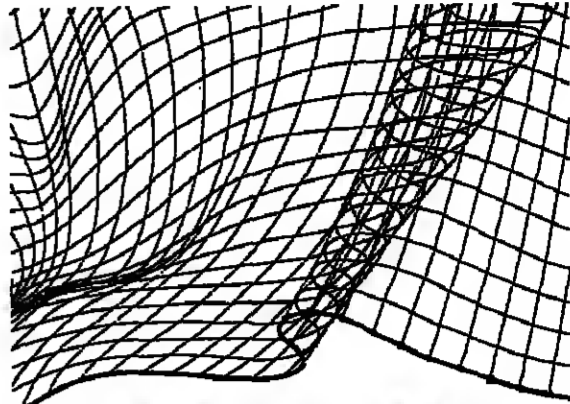
**Aon's Forrest rises**

Ron Forrest, former chief executive of Bain Hogg, the UK insurance brokerage sold by Incheape in October to Aon Corporation of Chicago, has been named chairman and chief executive of Aon Risk Services Companies, succeeding Arthur Guent, who died in an air crash in October.

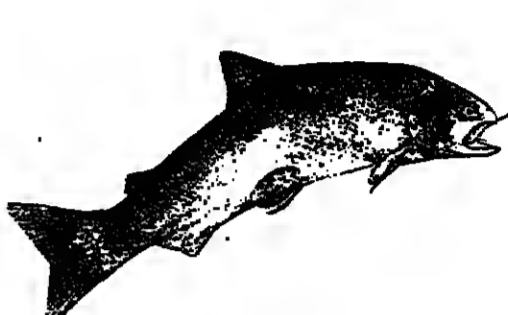
The new role gives Forrest, 64, responsibility for all Aon's retail insurance broking in north and south America. He also remains chairman of UK retail broking operations.

Donald Bell, previously vice-chairman of retail brokerage operations in the Americas, meanwhile becomes group vice-chairman with a strategic remit and responsibility for major clients and markets worldwide.

Fortuitously for Aon, most of Forrest's working life has been spent with Alexander & Alexander - the New York-based group whose takeover by Aon earlier this month created the world's largest insurance broker. He joined Incheape's broking arm, Bain Clarkson, in 1994 and oversaw its merger with Hogg Group to create Bain Hogg. *Nim Casswell, London*



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ON THE MOVE

■ Hilary Weston, wife of Galen Weston, the Canadian foods millionaire, is to be the next Lieutenant Governor of ONTARIO. She will take over the title, which makes her the British Queen's representative in Ontario and nominal head of the provincial government, on January 24.

■ Jack Krol, 60, president and chief executive officer of DuPont, joins the board of J.P. MORGAN & Co and its principal banking subsidiary, Morgan Guaranty Trust Company of New York, from January 1.

■ Kevin Jenkins, president and chief executive of Westair Corporation, an Alberta research and development company, and John Willson, president and chief executive of Placer Dome, the Canadian mining company, have joined the board of CANADIAN OCCIDENTAL PETROLEUM.

■ Splanard Jose Elena Rosello has been appointed vice-president of the new EU

PLANT VARIETY OFFICE.

■ Zhu Xiaohua becomes chairman by Hong Kong property and securities company CHINA EVERBRIGHT INTERNATIONAL. Zhu, a former deputy governor of the People's Bank of China, already chairs China Everbright Holdings, its controlling shareholder.

■ Anna Lou Fletcher, formerly managing director of New Harbor Inc of New York, becomes corporate general manager, financial planning and analysis, at BROKEN HILL PROPRIETARY.

■ David Williams becomes deputy chairman of the BANKERS TRUST AUSTRALIA as part of the preparations for David Hoare stepping down as chairman sometime in 1997.

■ The South African Broadcasting Corporation has appointed former vice-chairman Colin Hickling to head the new satellite television project AstraSat.

■ Jean-Pierre Rontex takes over as chairman of MINES DE POTASSE D'ALSACE,

the French potash producer, following the resignation of Paul Prevot.

■ CIC, the French regional banking group, has appointed Philippe Pontet as chairman, replacing Bernard Yoncourt. Pontet was previously chairman of public holding group Ersp.

■ Juan Perea has been appointed president of Spanish electronics group AMFER.

■ Michael Lim, former vice-president at Bear Stearns Asia in Hong Kong, joins the board of AVIC GROUP INTERNATIONAL, the Chinese-based telecommunications and information systems group.

■ Chief Superintendent Rod Harvey is the new head of security planning for the SYDNEY OLYMPICS. He is currently head of the major incident group.

■ Raftia Hussein (Skrine & Co), Enckil Mohammed Azam Hashim (Kompleks Kewangan Malaysia) and Tan Leong (BDO Binder) have been appointed to the committee of the KUALA LUMPUR STOCK

EXCHANGE. Chan Guan Seng (JF Apex Securities) becomes deputy chairman and Benny Ng Wu Hong has been elected to the committee.

■ Michael Welch, 44, takes over as senior vice-president and chief financial officer of EQUITY MARKETING, the US toys and gifts group. He succeeds Kenneth Fisher, 45, who has resigned to pursue personal business interests. Welch was most recently vice-president of corporate development for Mattel, the world's largest toy company.

■ Egon Berg rises to vice-president of AMERICAN HOME PRODUCTS, the US drugs company, and Eileen Lach becomes secretary.

■ Raymond Viaut, 52, vice-chairman and director of General Mills, joins the board of WILLIS CORROON, the British insurance broker, on January 1 as a non-executive director.

■ Raymond Vecchi has resigned as chief operating officer of TOWER AIR, the US low-cost carrier. Vecchi, who has only been with the airline since September, has reportedly been named

president of CARNIVAL AIR LINES.

■ Peter Fitzgerald, 48, currently chief executive and president of Qualex, has been named corporate vice-president and general manager of KODAK's consumer imaging business. He will keep his current responsibilities at Qualex until a successor is appointed.

■ Stanley Phernambuco, who has headed the unit responsible for the design and construction of the Los Angeles County METRO RAIL SYSTEM, is leaving on January 10 for a new post in the private sector.

■ Michael Lambert is stepping down as secretary of the NEW SOUTH WALES TREASURY, to join investment bank BZW.

■ Chris McGurk, chief operating officer of Universal Pictures, joins the board of CINEPLAX ODEON, one of the largest North American cinema companies, replacing Lynwood Spinks. McGurk was formerly president of the Walt Disney Motion Pictures Group.

■ K.S. Tso has been appointed group managing director of HONGKONG ELECTRIC HOLDINGS from January 1, succeeding Ewan Yee, who retires at the end of the year. Tso has been an executive director of the company since 1985 and is currently managing director of the Hutchison Whampoa Property Group.

■ Thomas Perkins, 64, chairman of Tandem Computers, becomes the 18th board member at NEWS CORPORATION, the global media group.

■ Kevin Logan joins DRESSNER KLEINWORT BENSON from Swiss Bank Corporation, as senior market economist in the fixed income department in New York.

This announcement appears as a matter of record only December 1996.

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COMPANIES AND FINANCE: INTERNATIONAL

Consumer confidence data lift Treasuries

GOVERNMENT BONDS

By Lisa Bransten in New York and Samer Iskandar in London

US Treasury prices gained in quiet pre-holiday trading yesterday as signs that consumer confidence may be flagging.

Near-midday in New York, the benchmark 30-year Treasury was 1/8 stronger at 99 1/2 to yield 6.567 per cent, while at the short end of the maturity spectrum, existing two-year notes rose 1/8 to 99 1/2, yielding 5.817 per cent.

Trading will close at 2pm today and remain closed until Thursday for the Christmas holiday.

Bonds were mostly flat in early trading before getting a lift at mid-morning, after the University of Michigan's index of consumer sentiment registered a drop in December, from 99.2 in November

to 96.9, with consumer expectations falling even further.

Earlier, traders had paid little attention to November's modest gains in personal income and consumption. Personal income rose 0.5 per cent last month, slightly less than economists had expected, while personal consumption expenditure was 0.5 per cent stronger, slightly above expectations.

0.6 per cent rise in income and a 0.3 per cent increase in expenditure.

Rising Treasuries provided support to European bonds, which closed generally higher.

Liffe's March bund future settled at 100.65, up 0.18. But trading volumes were modest, leading analysts to warn that the rise was more technical than indicative of bullish market sentiment.

French, Spanish and Swedish bonds rose in line

with bunds, their yield spreads closing mostly unchanged. On Maffi, the March future on 10-year French bonds closed at 128.62, up 0.05.

UK gilts outperformed other European bonds, their 10-year yield spread over bunds tightening by 7 basis points to 188 points.

Italian BTPs, however, underperformed most European bonds. Several factors

weighed on the market, including the absence of a rate cut by the central bank, which had been widely expected, as well as pessimism that a metalworkers' pay dispute was unlikely to be resolved soon.

Liffe's March BTP future lost 0.10 to close at 128.50, then fell another 0.20 in after-hours trading.

In the cash market, the 10-year yield spread of BTPs over bunds widened by 7 basis points, to 181 points.

AT&T consumer business 'has bounced back'

By Richard Waters in New York

AT&T's consumer business has bounced back from a troubled period to end 1995 on a strong note, Mr Joseph Nacchio, the former head of the US telecoms company's largest business unit, said yesterday.

Mr Nacchio was speaking after resigning over the weekend to head Qwest Communications, a small private group that is building a new long-distance network of its own across the US.

His departure marks the latest in a series of high-level resignations from the largest US telecommunications company, marking a transition to a new management group.

Commenting on the fortunes of AT&T's consumer business, Mr Nacchio said: "We had some difficulties at the beginning of the year, but we have recovered very handsomely from that."

The business has neared the end of the year ahead of the targets that had been set for it, he said, but declined to give further details.

AT&T shocked Wall Street twice this year with news of slowing revenue growth in its consumer business, reflecting successful raids on its customers by rival long-distance services.

Mr Nacchio, a 26-year AT&T veteran, was responsible for the flat-rate calling plan, known as OnaRate, that has been at the forefront of the company's attempts to win back market share.

Ms Gail McGovern, 44, the former head of AT&T's services for corporate customers, was appointed over the weekend to replace Mr Nacchio, 47.

Speaking yesterday, she called competitive conditions in the consumer long-distance business "just ferocious", but said the OnaRate plan had been "very successful" in attracting customers.

Ms McGovern said that her primary focus would be on "top-line growth".

She takes over as AT&T is gearing up to break into the \$100bn US local telephone business, which is about to be thrown open to competition.

Though she has no direct experience of consumer markets, Ms McGovern said her experience in handling AT&T's 4.5m small business customers had given her experience of marketing techniques such as market segmentation and database marketing.

Mr Nacchio was in effect passed over when AT&T looked outside for a new president earlier this year, hiring Mr John Walter from HR Donnelley.

The previous president, Mr Alex Mandl, quit in the summer to head another small telecommunications venture.

In a letter to staff yesterday, Mr Walter said Mr Nacchio "has made many lasting contributions to AT&T", adding: "But he has always wanted to lead his own company, and it has become clear to him that won't happen here at AT&T."

Mr Nacchio said Qwest, which will sell capacity on its network to AT&T, among others, had presented "a great opportunity, and a very good financial package", including a signing-on bonus and substantial equity position.

TWA cuts New York services

By Richard Tomkins in New York

Trans World Airlines, the smallest of the large US carriers, will start making big cuts in its operations in and out of New York next month to stem heavy losses there, particularly on transatlantic operations.

The cuts will include the axing of its New York-Frankfurt service and the replacement of its Boeing 747 airliners with smaller Boeing 767 aircraft on other transatlantic routes.

TWA will also cut the feeder services that link its New York transatlantic services with far-flung parts of the US such as California, Colorado and Arizona. Instead, the New York hub will focus on the east-coast market.

The moves recognise changes in the transatlantic travel market that have followed a big increase in the number of US cities now offering direct flights to Europe. In the last 20 years, the number of US gateway cities has risen from 11 to 30.

Since many passengers in the US no longer need to travel to New York to make



Tragic loss: TWA has been beset by problems

connections to Europe, TWA has had to offer low fares to attract them to its services. Even then it has found itself with surplus capacity.

TWA said other US carriers had already stopped flying Boeing 747s on transatlantic routes. "It's no longer a 747 market. We

have clung to that too long, and now we are going to fix it," the company said.

TWA, which has twice gone through Chapter 11 bankruptcy protection, has failed to make an annual profit since 1988. It has recently suffered a number of setbacks in its efforts to regain financial health.

In July, a Boeing 747 flying its New York-Fairfield route exploded in the air off New York's Long Island, killing everyone on board. This and other problems caused TWA to report a fall in operating profits from \$45.8m to \$28m in the quarter to September, at a time when other US airlines were enjoying big profit increases.

In October, TWA lost its chief executive, Mr Jeffrey Erickson, amid internal dissent about how the company should be run. TWA has so far been unable to find anyone else prepared to take on the job, and this month appointed three interim managers.

Yesterday TWA said the cost-cutting exercise, which will eliminate about 10 per cent of seats flown, would save about \$400m a year. It said it planned to build up operations at its main hub in St Louis, Missouri.

ADM acquires Grace cocoa unit

By Richard Waters

Archer Daniels Midland, the US grain processing company, yesterday took its first step into the cocoa business with the purchase of the production and sales operations of W.R. Grace.

The operation, which makes industrial cocoa and chocolate products, is being sold for \$480m, including the assumption of debt, Grace said. It did not disclose the equity value of the deal.

Grace, a specialty chemicals company, has been rumoured for months to have discussed selling the business to Cargill, the private US commodities group which is already a big force in the cocoa markets.

Such a transaction, however, could have led to anti-trust concerns, since a combination would have greatly reduced the number of suppliers in the chocolate market.

Between them, Cargill and Grace are believed to account for about half of the independent chocolate market in Europe - roughly equal to the share of Jacobs Suchard, which completed a

large acquisition of its own earlier this year.

Mr Dwayne Andreas, ADM chairman, called the acquisition "a good fit", even though his company has no presence in cocoa at the moment. "We understand the procurement and processing business and have many customers in common," he said.

For Grace, the sale reflects a plan to focus on its chemicals operations. In September, the company spun off National Medical Care, its big healthcare unit, and has since disclosed plans to sell other businesses. These include units that produce equipment for the paper and printing industry and molecular separation products for research laboratories.

Grace's shares rose 1 1/2% yesterday morning to \$50, still 3 1/2% below their level at the beginning of October after the spin-off of National Medical. The company's chairman, Mr Albert Costello, said the sale of the cocoa operations would further advance Grace's strategy of focusing on its global packaging and specialty chemicals businesses.

WORLD BOND PRICES

Table with columns for Coupon, Red Date, Price, Day's change, Yield, Week ago, Month ago. Includes sections for BENCHMARK GOVERNMENT BONDS and US TREASURY.

Table with columns for Strike, Price, Feb, Mar, Apr, Jun, Sep, Dec, High, Low, Est. vol., Open Int. Includes sections for BUND FUTURES OPTIONS and ITALY.

Table with columns for Price Index, Mon, Day's change, Dec 20, Ft, Accrued, 2d act, yield. Includes sections for FTSE Actuaries and FT Fixed Interest Indices.

Table with columns for Dec 20, Dec 18, Dec 16, Dec 14, Dec 12, Dec 10, Dec 8, Dec 6, Dec 4. Includes sections for UK Indices and Gilts Edged Activity Indices.

US INTEREST RATES

Table with columns for Rate, One month, Three month, Six month, One year, Two year, Three year, Five year, Ten year.

EURO BOND FUTURES AND OPTIONS

Table with columns for Strike, Price, Feb, Mar, Apr, Jun, Sep, Dec, High, Low, Est. vol., Open Int.

FT/ISMA INTERNATIONAL BOND SERVICE

Table with columns for Issued, Bid, Offer, Ctg, Yield. Includes sections for US DOLLAR STRAIGHTS and EURO BOND FUTURES.

UK GILTS PRICES

Table with columns for Name, Bid, Offer, Ctg, Yield. Includes sections for UK GILTS PRICES and DEUTSCHE MARK STRAIGHTS.

BOND FUTURES AND OPTIONS

Table with columns for Strike, Price, Feb, Mar, Apr, Jun, Sep, Dec, High, Low, Est. vol., Open Int.

US TREASURY BOND FUTURES (CBT)

Table with columns for Open, Settle, Price, Change, High, Low, Est. vol., Open Int.

OTHER FIXED INTEREST

Table with columns for Name, Bid, Offer, Ctg, Yield. Includes sections for OTHER FIXED INTEREST and DEUTSCHE MARK STRAIGHTS.

CONVERTIBLE BONDS

Table with columns for Name, Bid, Offer, Ctg, Yield. Includes sections for CONVERTIBLE BONDS and DEUTSCHE MARK STRAIGHTS.

Large table containing various bond prices and interest rates, including sections for EURO BOND FUTURES, US TREASURY BOND FUTURES, and DEUTSCHE MARK STRAIGHTS.

CURRENCIES AND MONEY

Pound surges on interest rate speculation

MARKETS REPORT By Graham Bowley The pound resumed its relentless upward climb on the foreign exchange yesterday amid intense speculation that UK interest rates may rise early next year.

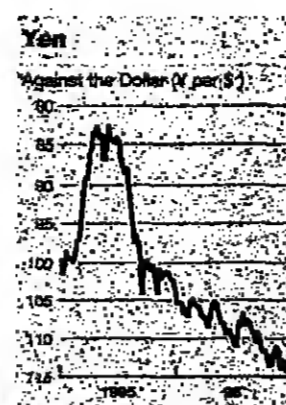
The pound resumed its relentless upward climb on the foreign exchange yesterday amid intense speculation that UK interest rates may rise early next year. The minutes of the October 30 meeting between Mr Kenneth Clarke, the UK Chancellor, and Mr Eddie George, governor of the Bank of England, left some traders expecting a further interest rate increase as soon as January.

The pound closed at \$1.6785, up about half a cent from Friday's finish. Against the D-Mark, it closed at DM2.5896, up one pfennig. The dollar ended flat against the D-Mark at \$1.5636. It ended at ¥113.96 against the Japanese yen.

The pound's rally, which appeared to have run out of steam at the start of this month, continued in earnest yesterday. The currency's sharp rise since the summer has been fuelled by signs of strong economic growth, creating the perception that interest rates may have to be increased again soon.

Mr Chris Turner, currency analyst at BZW in London, said he was looking for a continuation of the dollar's gradual crawl upwards against the D-Mark. "Not so much because we expect a weak euro but because we think the tight fiscal policies necessary to qualify for Emu will mean countries will have to adopt easier monetary policies," he said.

He said the Dublin summit had shown that countries' budget performance would be interpreted politically rather than according to the strict Maastricht criteria. He said the pound had room to rise further next year since both UK gilts and equities now look cheap.



WORLD INTEREST RATES

Table with columns: Money Rates, December 23, Over night, One month, Three months, Six months, One year, Lomo, Co. rate, Resc rate. Rows include Belgium, France, Germany, Ireland, Italy, Netherlands, Switzerland, US, Japan.

EURO CURRENCY INTEREST RATES

Table with columns: Dec 23, Short term, 7 days, One month, Three months, Six months, One year. Rows include Belgium, Denmark, D-Mark, Dutch Guilder, French Franc, Portuguese Escudo, Spanish Peseta, Swedish Krona, Swiss Franc, US Dollar, Asian S\$.

POUND SPOT FORWARD AGAINST THE POUND

Table with columns: Dec 23, Closing mid-pkts, Change on day, Bid/offer spread, Day's Mid High/Low, One month, Three months, One year, Bank of England. Rows include Europe, Americas, Pacific/Middle East/Africa, Asia, Australasia.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Dec 23, Closing mid-pkts, Change on day, Bid/offer spread, Day's Mid High/Low, One month, Three months, One year, JP Morgan. Rows include Europe, Americas, Pacific/Middle East/Africa, Asia, Australasia.

CROSS RATES AND DERIVATIVES

Table with columns: Dec 23, Bid, Ask, DM, SF, Y, etc. Rows include Belgium, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK, Canada, Japan, Denmark, Korea, Taiwan, Thailand.

EXCHANGE CROSS RATES

Table with columns: Dec 23, Bid, Ask, DM, SF, Y, etc. Rows include Belgium, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK, Canada, Japan, Denmark, Korea, Taiwan, Thailand.

UK INTEREST RATES

Table with columns: Dec 23, Over night, 7 days, One month, Three months, Six months, One year. Rows include Interbank Sterling, Sterling CDs, Treasury Bills, Bank Bills, Local authority deposits, Discount Market.

LONDON MONEY RATES

Table with columns: Dec 23, Over night, 7 days, One month, Three months, Six months, One year. Rows include Interbank Sterling, Sterling CDs, Treasury Bills, Bank Bills, Local authority deposits, Discount Market.

THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

Table with columns: Mar, Jun, Sep, Dec. Rows include Mar, Jun, Sep, Dec.

SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Table with columns: Strike, Price, Calls, Puts. Rows include 0.18, 0.19, 0.20, 0.21, 0.22, 0.23.

BASE LENDING RATES

Table with columns: Bank Name, Rate. Rows include Adams & Company, Alford Bank, Allied Irish Bank, Abbey National, Bank of Scotland, etc.

JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

Table with columns: Mar, Jun, Sep. Rows include Mar, Jun, Sep.

STERLING FUTURES (IMM) £25,000 per £

Table with columns: Mar, Jun, Sep. Rows include Mar, Jun, Sep.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: Dec 23, Bid, Ask, DM, SF, Y, etc. Rows include Ireland, Portugal, Spain, Netherlands, Belgium, Austria, Denmark, Greece.

PHILADELPHIA SE E-S-SPREADS (IMM) \$25,000 points per point

Table with columns: Bid, Ask, Bid, Ask. Rows include 0.625, 0.640, 0.655, 0.670, 0.685.

THREE MONTH EURO-DOLLAR (IMM) \$1m points of 100%

Table with columns: Mar, Jun, Sep, Dec. Rows include Mar, Jun, Sep, Dec.

US TREASURY BILL FUTURES (IMM) \$1m per 100%

Table with columns: Mar, Jun, Sep, Dec. Rows include Mar, Jun, Sep, Dec.

EURO-DOLLAR OPTIONS (LIFFE) DM1m points of 100%

Table with columns: Strike, Price, Calls, Puts. Rows include 94.00, 94.25, 94.50, 94.75, 95.00.

EURO-DOLLAR SPREADS (LIFFE) DM1m points of 100%

Table with columns: Bid, Ask, Bid, Ask. Rows include 94.00, 94.25, 94.50, 94.75, 95.00.

Weekly Petroleum Argus

Table with columns: Price, Change. Rows include Brent, WTI, etc.

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INFORMATION ONE CALL GETS THEM ALL

# UK farm incomes down as EU level climbs

By Alison Maitland

Farm incomes fell nearly 5 per cent this year in the UK, one of four European Union countries to suffer a setback, according to provisional figures from Eurostat, the EU statistical office.

Large EU and national pay-offs to farmers caught up in the BSE crisis have in effect cushioned them from a 14 per cent fall in EU cattle prices.

The provisional figures, which may be revised, put the EU increase at 5.1 per cent, almost the same as last year's rise.

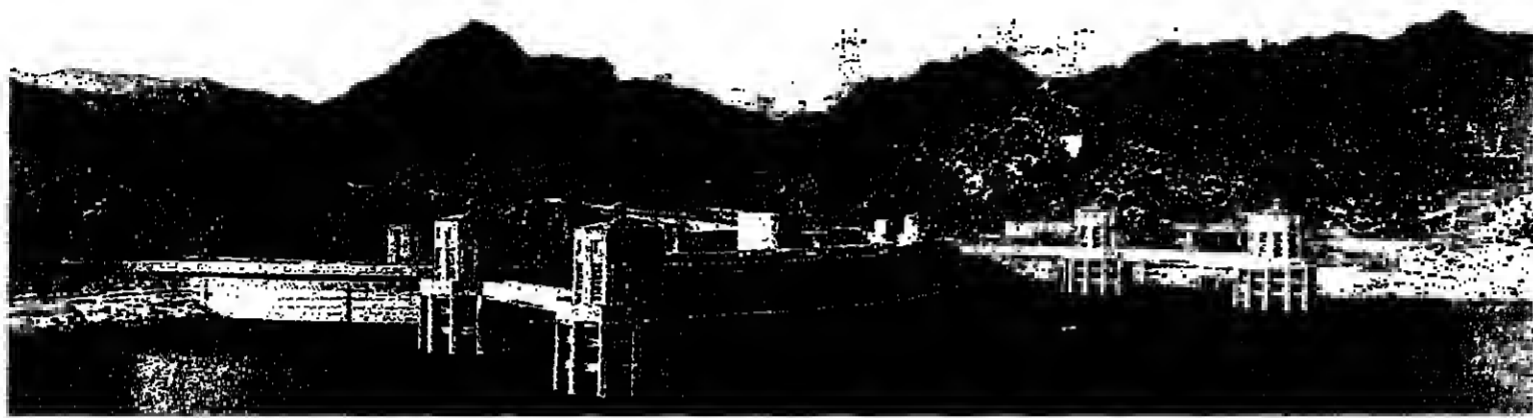
However, they also conceal big differences between member states. Spanish farmers enjoyed the largest increase in incomes, of 21.4 per cent, as a result of a good cereal harvest this year after a series of droughts.

Germany, Italy and France, which have all suffered from the beef crisis, have nonetheless all seen incomes rise, by 6.4 per cent, 5.6 per cent and 1.7 per cent respectively.

The most significant falls were in Austria and Sweden, where income was down 6.9 per cent and 5.8 per cent, respectively.

# Nymex switches on to an electric future

The exchange is expanding its range of energy contracts



The Hoover Dam in Arizona/Nevada: wholesale trade in electric power, estimated at \$100bn a year, dwarfs both the natural gas and crude oil markets

Freezing weather has closed in, the oil and gas markets are hot, and the New York Mercantile Exchange trading floor in the World Trade Center is one of the busiest places in the city.

Wholesale trade in electric power, estimated at \$100bn a year, dwarfs the size of either natural gas or crude oil markets.

The US is far behind the UK and Australia in terms of electricity market deregulation. Only three states have opened their power markets, though dozens more are considering it.

Rather than wait for the murky regulatory situation to clear, Nymex joined the power market fray early, launching two electricity futures contracts for California-area delivery last March.

The power industry is gearing up along with the exchange. There has been a buzz of cross-pollination in the utility and trading businesses during the past year, with Wall Street risk managers moving over to power company trading floors, and

utility company veterans departing to become Wall Street advisers. For the futures exchange, electricity promises to open a whole new customer base.

Started 125 years ago as a regional exchange for dairy products, Nymex did not hit its winning energy formula until 1978, when it launched heating oil futures and managed to outlast rival contracts offered in Chicago and elsewhere.

Now Nymex is making its biggest bet - on electricity futures. Wholesale trade in electric power, estimated at nearly \$100bn a year, dwarfs the size of either natural gas or crude oil markets.

The stakes are high. One Congressional study found that ending electricity monopolies could cut power costs in the US by \$150bn a year.

The aim is to show the government that utilities will have risk-management tools available once power markets are liberalised. To that end, Nymex will open a third electricity futures product in the first half of next year, which will have East Coast delivery.

The power industry is gearing up along with the exchange. There has been a buzz of cross-pollination in the utility and trading businesses during the past year, with Wall Street risk managers moving over to power company trading floors, and

recently hedge their fuel costs, because they are allowed to pass them on to their customers. Nymex, understandably, has a coal futures contract on the drawing board.

It took 18 months and a severe hurricane to convince long-serving energy traders in 1992 that Nymex's natural gas futures contract deserved attention.

Natural gas derivatives have subsequently become the exchange's second-busiest product, and the energy

industry's use of derivatives has matured rapidly. Along the way, the exchange has had to negotiate, together with its customers, the complexities of US energy policy and industry deregulation.

Most utilities do not currently hedge their fuel costs, because they are allowed to pass them on to their customers.

Nymex, understandably, has a coal futures contract on the drawing board.

While coal and electricity markets seem drearily domestic, at least a dozen US electric utilities are on the international prowl, making foreign investments giving them insights into operating in deregulated economies.

## COMMODITIES PRICES

### BASE METALS

Table with columns for metal type (Aluminum, Lead, Nickel, Tin), price change, high, low, and open prices.

### Precious Metals continued

Table with columns for Gold, Silver, Platinum, Palladium, and Nickel prices.

### GRAINS AND OIL SEEDS

Table with columns for Wheat, Soybean, Barley, and Soybean Meal prices.

### SOFTS

Table with columns for Cocoa, Coffee, and Sugar prices.

### MEAT AND LIVESTOCK

Table with columns for Live Cattle, Lean Hogs, and Pork Bellies prices.

### ENERGY

Table with columns for Crude Oil, Heating Oil, and Gas Oil prices.

### PRECIOUS METALS

Table with columns for Gold, Silver, and Platinum prices.

### FUTURES DATA

Table with columns for various futures contracts like Orange Juice, Cotton, and Soybeans.

### VOLUME DATA

Table with columns for volume data for various commodities.

### INDICES

Table with columns for various market indices.

# Nickel falls to two-year low

MARKET REPORT

By Robert Cordine and Kenneth Gooding

Nickel prices fell to their lowest level for 24 years on the London Metal Exchange yesterday. Traders said one big seller caused the fall and volumes were small.

logically important 50,000 tonnes level. Oil prices settled lower yesterday as traders prepared for the Christmas holiday. Forecasts in the US of warmer-than-expected weather undermined prices of refined products and crude oil on the Nymex.

# LME to raise member charges

By Kenneth Gooding, Mining Correspondent

London Metal Exchange charges to members are being increased by between 25 per cent and 60 per cent next year to help pay for the UK Securities and Investments Board's review of the metals markets.

mol in the copper market by claiming that its senior trader, Mr Yasuo Hamanaka, had lost \$3.6bn through unauthorised trading. The SIB estimated its review had cost £750,000 (\$1.25m) and said most of this would be paid for by the LME. The SIB review proposes that the LME executive be given more authority, and provided with more employees and other resources.

## JOTTER PAD

Table with columns for various commodity prices like LME, COFFEE, SUGAR, and COTTON.

## CROSSWORD

Crossword puzzle grid with clues for 1-27. Clues include 'Long to include sailors on page one', 'Being hot-headed many members left', etc.

Solution to the Christmas Crossword on Saturday Jan 6. Solution to yesterday's prize puzzle on Monday January 6.

Handwritten signature or note at the bottom of the page.



Offshore Funds and Insurances

FT Cytine Unit Trust Prices are available over the telephone. Call the FT Cytine Help Desk on (44 1747) 874 4378 for more details.

FT MANAGED FUNDS SERVICE

Main table containing fund names, descriptions, and performance metrics. Includes sections for 'LUXEMBOURG (SIB RECOGNISED)', 'LUXEMBOURG (SIB RECOGNISED)', and 'OFFSHORE INSURANCES'.

Handwritten signature or stamp at the bottom center of the page.

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (444 177) 873 4378 for more details.

Main table containing various fund names, categories, and prices. Includes sections for 'OTHER OFFSHORE FUNDS', 'Global Growth Holdings Limited', 'Lloyds George Management', 'Offshore Insurances and Other Funds', and 'MANAGED FUNDS NOTES'.

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LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES	CHEMICALS - Cont.	ENGINEERING	EXTRACTIVE INDUSTRIES - Cont.	HOUSEHOLD GOODS - Cont.	INVESTMENT TRUSTS - Cont.
<b>ALCOHOLIC BEVERAGES</b> BREWERS, PARS & REST BANKS, MERCHANT BANKS, RETAIL DISTRIBUTORS BREWERS, PARS & REST BUILDING & CONSTRUCTION DIVERSIFIED INDUSTRIALS ELECTRICITY ELECTRONIC & ELECTRICAL EQPT BUILDING MATS. & MERCHANTS CHEMICALS	<b>CHEMICALS - Cont.</b> BANKS, MERCHANT BANKS, RETAIL DISTRIBUTORS BREWERS, PARS & REST BUILDING & CONSTRUCTION DIVERSIFIED INDUSTRIALS ELECTRICITY ELECTRONIC & ELECTRICAL EQPT BUILDING MATS. & MERCHANTS CHEMICALS	<b>ENGINEERING</b> ENGINEERING, VEHICLES EXTRACTIVE INDUSTRIES	<b>EXTRACTIVE INDUSTRIES - Cont.</b> HOUSEHOLD GOODS	<b>HOUSEHOLD GOODS - Cont.</b> INSURANCE INVESTMENT TRUSTS	<b>INVESTMENT TRUSTS - Cont.</b>

The Financial Times plans to publish a Survey on  
**Merseyside**  
 on Thursday, April 3

The FT is circulated in 140 countries worldwide, with a readership in excess of one million people. The Weekly FT is read by 129,000 business people in significant organisations in Great Britain. More senior UK business people in significant organisations read the FT than any other National Daily Newspaper. 46% of Europe's top Chief Executives read the FT. 83% of Chief Executives of top companies in Britain and Ireland read the FT.

For full editorial synopsis and details of available advertisement positions to reach these audiences, please contact Pat Lough, Financial Times, Alexandra Buildings, Queen Street, Manchester M2 5LF. Tel: 0161 834 9381. Fax: 0161 832 9248. Source: EBS 1995 and Chief Executives in Europe 1995

FT Surveys

ALCOHOLIC BEVERAGES	CHEMICALS - Cont.	ENGINEERING	EXTRACTIVE INDUSTRIES - Cont.	HOUSEHOLD GOODS - Cont.	INVESTMENT TRUSTS - Cont.
<b>ALCOHOLIC BEVERAGES</b> BREWERS, PARS & REST BANKS, MERCHANT BANKS, RETAIL DISTRIBUTORS BREWERS, PARS & REST BUILDING & CONSTRUCTION DIVERSIFIED INDUSTRIALS ELECTRICITY ELECTRONIC & ELECTRICAL EQPT BUILDING MATS. & MERCHANTS CHEMICALS	<b>CHEMICALS - Cont.</b> BANKS, MERCHANT BANKS, RETAIL DISTRIBUTORS BREWERS, PARS & REST BUILDING & CONSTRUCTION DIVERSIFIED INDUSTRIALS ELECTRICITY ELECTRONIC & ELECTRICAL EQPT BUILDING MATS. & MERCHANTS CHEMICALS	<b>ENGINEERING</b> ENGINEERING, VEHICLES EXTRACTIVE INDUSTRIES	<b>EXTRACTIVE INDUSTRIES - Cont.</b> HOUSEHOLD GOODS	<b>HOUSEHOLD GOODS - Cont.</b> INSURANCE INVESTMENT TRUSTS	<b>INVESTMENT TRUSTS - Cont.</b>



LONDON SHARE SERVICE

BY TRUSTS SPLIT CAPITAL - Cont.

Table listing various investment trusts with columns for name, price, and change.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for name, price, and change.

INVESTMENT COMPANIES

Table listing investment companies with columns for name, price, and change.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for name, price, and change.

LIFE ASSURANCE

Table listing life assurance companies with columns for name, price, and change.

LIFE ASSURANCE - Cont.

Table listing life assurance companies with columns for name, price, and change.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies with columns for name, price, and change.

OIL, INTEGRATED

Table listing integrated oil companies with columns for name, price, and change.

OTHER FINANCIAL

Table listing other financial companies with columns for name, price, and change.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies with columns for name, price, and change.

PAPER, PACKAGING & PRINTING - Cont.

Table listing paper, packaging, and printing companies with columns for name, price, and change.

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for name, price, and change.

PROPERTY

Table listing property companies with columns for name, price, and change.

PROPERTY - Cont.

Table listing property companies with columns for name, price, and change.

SUPPORT SERVICES - Cont.

Table listing support services companies with columns for name, price, and change.

RETAILERS, FOOD

Table listing retailers and food companies with columns for name, price, and change.

RETAILERS, GENERAL

Table listing general retailers with columns for name, price, and change.

SUPPORT SERVICES

Table listing support services companies with columns for name, price, and change.

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for name, price, and change.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for name, price, and change.

TEXTILES & APPAREL - Cont.

Table listing textiles and apparel companies with columns for name, price, and change.

TOBACCO

Table listing tobacco companies with columns for name, price, and change.

TRANSPORT

Table listing transport companies with columns for name, price, and change.

WATER

Table listing water companies with columns for name, price, and change.

TEXTILES & APPAREL - Cont.

Table listing textiles and apparel companies with columns for name, price, and change.

TOBACCO

Table listing tobacco companies with columns for name, price, and change.

TRANSPORT

Table listing transport companies with columns for name, price, and change.

WATER

Table listing water companies with columns for name, price, and change.

AIM - Cont.

Table listing AIM companies with columns for name, price, and change.

AMERICANS

Table listing American companies with columns for name, price, and change.

CANADIANS

Table listing Canadian companies with columns for name, price, and change.

SOUTH AFRICANS

Table listing South African companies with columns for name, price, and change.

AIM

Table listing AIM companies with columns for name, price, and change.

GUIDE TO LONDON SHARE SERVICE

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LONDON STOCK EXCHANGE

Footsie responds to pre-Christmas buyers

MARKETS REPORT
By Steve Thompson,
UK Stock Market Editor

With no disturbing hints emerging from the minutes of the October 30 meeting between the chancellor and the governor of the Bank of England, London's equity market moved confidently to another closing all-time high yesterday.

Traders said it looked as if London was building up to a quiet but reassuringly firm run into the Christmas holiday.

There was some surprise around trading desks at the level of activity, given that it was a

Monday, traditionally the quietest day of the week, and only two days before Christmas. Turnover at 6pm reached 553.3m shares. The value of trading on Friday was put at £1.13bn, with sharp-eyed dealers also noting that business between market-makers on that session, at £1.22bn, was double levels seen earlier last week.

And sentiment in London was given an additional boost by the latest encouraging performance of Wall Street, where the Dow Jones Industrial Average passed 6,500 shortly after the opening.

The FTSE 100 index, which had risen almost 98 points in the three previous sessions, gave a

resolute, if ponderous, performance yesterday, closing 9.6 up at a peak of 4,087.2.

The market's second lines, represented by the FTSE 250, were firm, with that index closing 6.2 up at 4,454.6. The FTSE SmallCap index delivered the best performance in percentage terms, climbing 5.6 to 2,164.2.

Gilts, which closed up 20 to 34 ticks in the 10-year to 20-year range, helped equities build on their earlier gains, responding to what was seen as encouraging US economic news.

A senior dealer at an influential marketmaker described the session as "surprisingly good for what had been expected to be a

winding-down day; if the tempo keeps up, we might push through 4,100 tomorrow."

There was also evidence, traders noted, that many of the brokers' new year tips were having a substantial influence on sentiment. Zeneca made rapid progress during the day, eventually settling in seventh spot in the FTSE 100 league table, with some brokers labelling the company as the most likely Footsie stock to attract a predator's attentions.

Other stocks viewed as potential big winners next year included Abbey National, Barclays, Bank of Scotland, Lloyds, TSB, General Accident and Guardian Royal Exchange.

Footsie kicked off the session on an undecided note, and drifted back until news of the minutes of the meeting between Mr Clarke and Mr George became known. With gilts ticking better, the equity market began to rally and gradually recouped its early losses, eventually moving into positive ground in mid-session.

There were a handful of stocks, notably a profits warning from Brake Brothers, the frozen foods supplier to the catering industry, whose shares plummeted 24 per cent.

British Gas was the best Footsie performer after reaching agreement on a "take or pay" deal with Mobil.

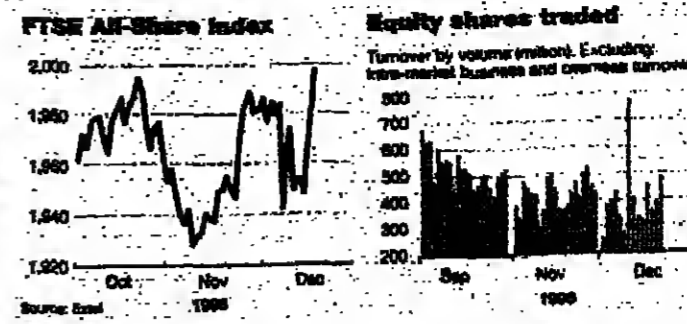


Table with columns for indices and ratios, including FTSE 100 (4087.2), FTSE 250 (4454.6), FTSE SmallCap (2164.2), and various sector performance metrics.

Northern bid moves

By Peter John, Lisa Wood and Joel Kibazo

Trading in Northern Electric was suspended yesterday but dealers said there was buying behind the scenes in a bid battle which has acquired more twists than a soap opera.

The Prudential, Northern's biggest supporter against the bid by CalEnergy of the US, already has 13 per cent of the regional electricity company.

Yesterday, according to marketmakers, the insurer was offering to buy shares outside the market at 650p a piece, the level of the CalEnergy offer.

The Pru was unavailable for comment. It apparently feels so strongly that the bid is undervalued, it is prepared to buy shares which could fall by almost a pound if the bid fails.

The rationale is that another bidder will be prepared to pay at least 700p a share.

Meanwhile, Takeover Panel members thrashed out claims and counter-claims which stemmed from supportive share buying by Northern's broker and merchant bank last week.

And with the deadline for final offers extended until 1pm today, CalEnergy's majority was still an eye-watering 61.3 per cent.

One dealer said the last-minute twists to the current bid saga almost equalled those during last year's takeover attempt by Trafalgar House.

Elsewhere in the sector, Yorkshire Electricity, one of the two remaining rees rose 26 to 798 1/2p.

A bid approach for OGC International, an oil services group, threw the spotlight back on the leaders in the sector.

It came bot on the heels of last week's bid by Gulf Canada for Clyde Petroleum, the exploration and production company.

There were some mutterings that if oil services companies are in vogue and E&P companies are popular, there is a rationale for a takeover attempt on a company which contains both elements.

Thus, while OGC jumped 41 to 116p, the diversified British Borneo gained 18 1/2 to 75p, building on a 66-point hike last week when the shares delivered the best individual performance in the FTSE 250.

British Gas was the top performer in the Footsie in early trading on the back of a Sunday newspaper report that it was close to agreeing a settlement with Mobil Corp on its take-or-pay liabilities.

The story was later confirmed by Gas, which announced that it was swapping its assets in the rich Beryl field in return for ren-

egotiation over 27m tonnes. The news had been expected but was broadly welcomed and the shares added a little to earlier gains, closing 6 higher at 227 1/2p.

The retail sector recovered its nerve, with a number of stocks rising on renewed optimism over Christmas sales. Among the better performers were Marks and Spencer, which strengthened 6 1/2 to 479p, with Kleinwort Benson reported to be positive, and Kingfisher, which hardened 6 to 619 1/2p.

Last Friday, the sector was rocked by a media report alleging less buoyant sales than anticipated, and a downbeat statement from Clarenton Garments, a supplier to Marks and Spencer.

It said that sales in the run-up to Christmas were running below best expectations.

However, analysts said that many people, who had had their fingers burned with Matthew Clark, would like to see the share price rise.

Bass, he suggested, was not likely to be interested in acquiring a cider business.

Other analysts said that such a move was unlikely in the short-term given that Bass was currently involved in a Monopolies and Mergers Commission investigation into its proposed acquisition of Carlsberg in Teley. Bass firmed 2 to 817p.

Elsewhere among the brewers, Whitbread firmed 9 to 78 1/2p on rumours that it has pulled out of the bidding for the 21 Welcome Break motorway service stations put up for sale following Granada's £3.9bn acquisition of Forte last year.

Whitbread declined to comment on the speculation but industry analysts suggested that the group's future strategy lay in the high street rather than in motorway service areas.

Granada slipped 6 1/2 to 860p. Engineering group GKN remained out of favour as word went round the market that the company is experiencing problems with the EH 101 helicopter order for the British Navy.

The shares fell another 6 to 98 1/2p. The stock tumbled last week after the surprise news that GKN had been found in breach of contract with its US franchisees and the company could face damages of \$54m.

The market remains concerned that the ruling could wipe out a large part of current year profits and also force brokers to reduce next year's profits estimates, should the company be required to post a \$398m bond while the appeal process proceeds.

Several brokers have tipped British Aerospace among companies likely to outperform the market in the coming year.

The shares yesterday firming another 15 1/2 to 1224 1/2p. There was also

FTSE 100 INDEX FUTURES (LFFE) (25 p per full index point)

Table showing FTSE 100 Index Futures (LFFE) with columns for Open, Settle, Change, High, Low, Est. Vol, Open Int.

Table showing FTSE 250 Index Futures (LFFE) with columns for Open, Settle, Change, High, Low, Est. Vol, Open Int.

Table showing FTSE 100 Index Option (LFFE) (4085) (10 p per full index point)

Table showing EURO STYLE FTSE 100 Index Option (LFFE) (10 p per full index point)

Table showing LONDON RECENT ISSUES: EQUITIES

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Table showing FTSE 250 Index

Table showing FTSE SmallCap Index

Table showing FTSE 100 Index

Table showing FTSE 250 Index

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

Table of world stock markets including sections for EUROPE (Austria, Germany, Italy, Norway, Switzerland), ASIA (Japan, Korea, Taiwan, Thailand, Hong Kong, Singapore, Malaysia, Indonesia, Philippines, New Zealand), and PACIFIC (Australia, South Africa, South Korea, Taiwan, Thailand, Hong Kong, Singapore, Malaysia, Indonesia, Philippines, New Zealand).

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Table of stock market data for various countries including Austria, Germany, Italy, Norway, Switzerland, and others.

Table of stock market data for various countries including Japan, Korea, Taiwan, Thailand, Hong Kong, Singapore, Malaysia, Indonesia, Philippines, New Zealand, and others.

Table of stock market data for various countries including Australia, South Africa, South Korea, Taiwan, Thailand, Hong Kong, Singapore, Malaysia, Indonesia, Philippines, New Zealand, and others.

Table of stock market indices including Argentina, Australia, Austria, Belgium, Brazil, Canada, Denmark, France, Germany, Greece, Hong Kong, India, Indonesia, Israel, Italy, Japan, Korea, Malaysia, Mexico, Netherlands, New Zealand, Norway, Philippines, Portugal, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Kingdom, USA, and others.

Table of US stock market indices including Dow Jones, Industrials, New York, Transport, Utilities, and others.

Table of stock market indices for various countries including South Africa, South Korea, Taiwan, Thailand, Hong Kong, Singapore, Malaysia, Indonesia, Philippines, New Zealand, and others.

Table of stock market futures and options data including S&P 500, Dow Jones, and various futures contracts.

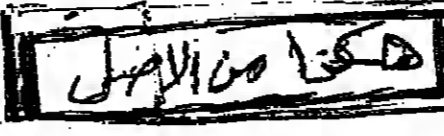
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NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock symbols, prices, and changes. Includes sub-sections for 'Apo close' and 'D'.

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Continued on next page



NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'V', 'W', 'T', 'U', 'X', 'Y', 'Z', and 'FT Free Annual Reports Service'.

NASDAQ NATIONAL MARKET

Table of NASDAQ stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'V', 'W', 'T', 'U', 'X', 'Y', 'Z', and 'FT Free Annual Reports Service'.

AMEX PRICES

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Tech stocks give back some gains Bourses wind down to Christmas

AMERICAS

US shares were mixed at midsession in quiet pre-holiday trading, writes Lisa Branstetter in New York.

At 12:30pm, the Dow Jones Industrial Average was up 16.91 at 6,501.31, while the Standard & Poor's 500 was off 0.16 at 748.71.

Technology shares were mixed with the Nasdaq composite, which is weighted toward that sector, showing a loss of 2.71 at 1,235.55 and the Pacific Stock Exchange technology index off 0.8 per cent.

bringing the share to 852%. Some blue chips in the Dow were helped by gains in the bond market that sent the yield on the benchmark 30-year Treasury bond down to 6.589 per cent.

Home Beneficial, the insurer, jumped 3/8% or 29 per cent at \$377 on news that American General had agreed to buy the company for \$665m in cash and stock.

Apple Computer rose 3/4% to \$274 on news that the company had agreed to buy Next Software for \$400m. The deal brings Mr Steve Jobs, founder of Next and a co-founder of Apple, back to the company to act as a part-time adviser to Apple's chief executive, Mr Gil Amelio.

ValueJet lost 3/4% or 5 per cent at \$74 after the low cost carrier cancelled flights to Texas and Florida, saying it did not have confidence in

the charter companies signed up to carry passengers.

TORONTO was mixed, but with a firmer bias at midsession with the TSE-300 composite index up just 1.69 at 5,871.35. Financial services shares were firmer, spearheaded by a 55 cent rise to C\$53.50 in Canadian Imperial Bank of Commerce.

Barrick Gold dipped 15 cents to C\$39.90 and Bre-X Minerals picked up 25 cents to C\$22.25 as investors awaited details of an expected agreement over the ownership of the Busang find in the East Kalimantan province of Indonesia.

Buenos Aires shrugged off a one-day general strike called in protest at proposed labour law reforms, with analysts pointing to positive economic indicators and a major bond offering planned by the government as lifting the market. At midsession, the Merval index of leading shares was 0.96 per cent higher at 634.03.

EUROPE

European markets wound down to the Christmas break in largely quiet trade, although a scattering of record highs were again seen in some of the smaller markets.

FRANKFURT stalled in afternoon dealings, as the market wound down ahead of a three day break. Individual features were scattered. Deutsche Telekom lifted 50 pig to DM64 on news that its banks had extended the company's lines of credit until 2001.

Under the terms of the agreement, the 26 banks which make up the consortium will provide credits of DM82m. The Ibis Dax ended up 8.91 at 2,844.03.

PARIS slipped after publication of US November personal income data. The CAC-40 gave up some of the gains made in early afternoon trade but still closed up 8.51 at 2,874.44. Volume was FF3.6bn, heavier than

normal for Christmas week.

Moulinex fell FF6.50 to FF116.50 after reporting a net loss of FF74m for the first half, compared with a loss of FF121m a year earlier.

AMSTERDAM closed higher, squeezed up on low volume ahead of today's half-day trading session. With most big Dutch institutions already absent, private and foreign investors were dominant, turning round a morning fall on profit-taking and year-end book ahead of the year-end. A push higher on Wall Street also helped during the last hour of trade. The AEX index closed 2.32 up at 635.03, within sight of the 636.75 all-time high set on December 3. KLM closed FL120 higher at FL 48.50 on news of a productivity drive at its Transavia unit.

ZURICH edged down in quiet trade with even the session's highlight, the debut of the Novartis shares, proving a modest event. The SMI index fell 14.6 to 3,576.5.

FTSE Actuaries Share Indices

Table with columns: Dec 23, Dec 22, Dec 21, Dec 20, Dec 19, Dec 18, Dec 17, Dec 16. Rows: FTSE 100, FTSE 250, FTSE 1000.

CS Holding picked up 50 centimes to SF137.50 and Elektrowatt was marked down SF14 to SF511. News that Siemens of Germany would take over CS Holding was a major factor.

Shares in Novartis closed near the day's low with the registered at SF1,488 and the bearers at SF1,502. Certificates in its rival, Roche, lost SF50 to SF10,190.

In the financial issues, UBS encountered selling pressure that took the shares down SF72 to

by its recent purchases in Latin America and after Standard & Poor's affirmed its ratings for the bank.

COPENHAGEN was led higher by banks and Danisco in a quiet market, and the KFX index picked up 1.22 to close at a record 133.97.

Foreign buyers concentrated on the banks. Den Danske rose DKr11 to DKr468. Unidank gained DKr4 to DKr304 and Jyske Bank finished DKr3 higher at DKr440.

Danisco, up DKr5 to DKr354, continued to climb after Morgan Stanley's "outperform" rating on Friday.

WARSAW bounded 1.9 per cent higher, extending the gains of the previous four sessions and taking the WIG index up 268.8 to 14,580.8.

BUDAPEST extended its record-setting run and the Bux index added 5.95 to 4,102.47 in the second highest ever turnover of Ft3.7bn.

Written and edited by Michael Morgan and Peter John

MARKETS IN PERSPECTIVE

Table with columns: % change in local currency, % change in US \$, % change in US \$ (1998). Rows: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Spain, Sweden, Switzerland, UK, EUROPE, Australia, Hong Kong, Japan, Malaysia, New Zealand, Singapore, Canada, USA, Mexico, South Africa, WORLD INDEX.

South Africa weak ahead of holiday

Johannesburg edged back in quiet trade of about R350m ahead of the looming seasonal festivities. The overall index dipped 4.0 to 6,536.4 as industrials shed 26.3 to end at 7,769.0. Golds also dipped slightly to a market distinguished by a lack of interest in the face of a steady billion price. The index lost 8.5 to 1,493.1.

Dealers reported some basket-trading of shares as well as individual stocks sparked off interest. The result was a mixed bag of individual performances from the blue-chips, as De Beers continued its strong recent gains and put on 300 cents to R133.00. Other favoured stocks included Anglo which added 325 cents to R247.25 and SA Breweries which gained 75 cents to R115.75.

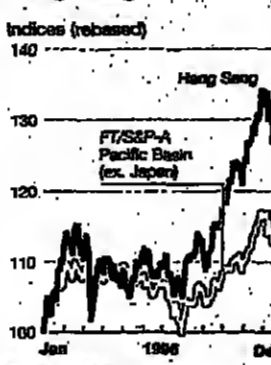
ASIA PACIFIC

An unexpected burst of pre-Christmas activity took HONG KONG 1.5 per cent higher, but buying fuelled by Wall Street's recent performance and an improved outlook for the local property market.

The Hang Seng index jumped 200.07 to 13,321.48, after a high of 13,351.24. Turnover was a robust HK\$9.1bn, well up on Friday's HK\$7bn, although inflated by share placements.

A good response to Sino Land's sale of luxury residential properties over the weekend cheered investors while share placements by Sino Land and another property group did not dampen market sentiment. Sino Land's parent company, Tsim Sha Tsui Properties, placed 238m shares at HK\$9.13 each and subscribed to an equal number of new shares, netting Sino Land HK\$2.1bn after expenses. Sino Land closed down 30 cents to HK\$9.30, after

Hong Kong



bouncing off a low of HK\$9.15, while Tsim Sha Tsui rose 30 cents to HK\$15.20.

Kong Tai International placed 532m new shares at 25 cents a share. The stock surged 16 cents to 39 cents in turnover of HK\$296.7m.

TAIPEI was spurred higher by news that the finance ministry would sell off its holdings in the island's "high three" state commercial banks by July to

ease the budget deficit. The ministry holds only small stakes in Chang Hwa, First Bank and Hua Nan, which are controlled by Taiwan's provincial government and will remain in state hands after the sell-off.

The weighted index ended 31.51 higher at 6,932.00, off a high of 6,934.73 in active turnover of T\$53.47bn.

Chang Hwa and First Bank each rose T\$1 to T\$155 and T\$168 respectively. Hua Nan jumped T\$4 to T\$131.5.

BANGKOK reversed steep losses late in the day, after an early 3 per cent slide attracted bargain hunters back to blue chips.

The SET index moved into positive territory shortly before the close and ended up 3.00 at 819.79.

Dealers said that long-term European funds were buying in the afternoon, as were brokers, for their own portfolios. Krung Thai Bank topped the active list gaining Bt25 to Bt51 while Thai Farmers Bank ended up Bt1 at Bt125, after falling to Bt116.

MANILA was marked sharply lower at the opening on news that President Fidel Ramos had undergone surgery, but recovered partially by the close, on news that the operation had proved successful. The composite

Tokyo was closed for a public holiday. The Nikkei index finished 40.28 or 1.3 per cent weaker at 3,139.92, after a low of 3,112.55.

SINGAPORE slipped back late in the day, largely unimproved by news that the country would go to the polls for general elections on January 2. The Straits Times Industrial index eased just 0.35 to 2,195.86.

SEOUL was weak in the absence of demand from pension funds that had been expected to support prices. The composite index ended 8.33 lower at 694.81.

Sammi Steel, firm in recent sessions on news that it planned to sell parts of its stainless steel business to Posco, fell Won330 to Won4,380 on profit-taking.

SYDNEY edged higher during a sleepy session as some demand in the bank sector supported the market as it wound down for the Christmas break. The All Ordinaries index closed 6.7 higher at 2,380.5, with turnover around one third of the Friday's record A\$1.7bn.

Dealers noted interest in the banking sector after Advance Bank's shareholders approved a scheme to merge with the fellow regional, St George Bank.

St George ended 19 cents weaker at A\$7.58, while Advance shares were up 16 cents to A\$6.90.

DHAKA fell 3.3 per cent as many large investors were sidelined by news that the official regulator had launched an inquiry into alleged manipulation of the market. The all-share index fell 82.25 to 2,375.37.

China's hard currency B shares rebounded after last week's falls. SHENZHEN'S B index jumped 7.68 or 6.1 per cent to 133.24 while SHANGHAI'S B shares were up 0.94 or 1.5 per cent at 64.678.

FT/S&P ACTUARIES WORLD INDICES

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